

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

(Mark One)
☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2024
OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO
Commission File Number: 001-40526

CONFLUENT, INC.
(Exact name of Registrant as specified in its Charter)

Delaware
(State or other jurisdiction of incorporation or organization)
899 W. Evelyn Avenue
Mountain View, California
(Address of principal executive offices)

47-1824387
(I.R.S. Employer Identification No.)

94041
(Zip Code)

Registrant's telephone number, including area code: (800) 439-3207

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading 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 (Nasdaq Global Select Market)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☒ NO ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES ☐ NO ☒

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

The aggregate market value of the shares of common stock held by non-affiliates of the Registrant, based on the closing price of the Registrant's shares of common stock on the Nasdaq Global Select Market on June 30, 2024, was approximately \$7,282.4 million.

As of February 4, 2025, there were 272,936,813 shares of the Registrant's Class A common stock and 61,079,193 shares of the Registrant's Class B common stock, each with a par value of \$0.00001 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement relating to the 2025 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the Registrant's fiscal year ended December 31, 2024.

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SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical fact contained in this Annual Report on Form 10-K, including statements regarding our future results of operations and financial condition, business strategy and plans, and objectives of management for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “toward,” “will,” “would,” or the negative of these words or other similar terms or expressions. These forward-looking statements include, but are not limited to, statements concerning the following:

- our expectations regarding our revenue, revenue mix, expenses, and other results of operations;
- our ability to acquire new customers and successfully retain existing customers;
- our ability to increase consumption of our offerings and expand features and functionalities;
- our ability to achieve or sustain our margins and profitability;
- the impact of, and our ability to operate our business and effectively manage our growth under, evolving and uncertain macroeconomic conditions, including as a result of inflationary pressures, geopolitical events, and recessionary environments;
- future investments in our business, our anticipated capital expenditures, and our estimates regarding our capital requirements;
- the costs and success of our sales and marketing efforts, including following our shift to a consumption-oriented sales model for Confluent Cloud, and our ability to promote our brand;
- our growth strategies for, and market acceptance of, our Data Streaming Platform, as well as our ability to execute such strategies;
- the estimated addressable market opportunity and our ability to penetrate such market;
- our reliance on key personnel and our ability to identify, recruit, and retain skilled personnel;
- our ability to effectively manage our growth, including international expansion;
- our ability to protect our intellectual property rights and any costs associated therewith;
- the effects of public health crises, such as the COVID-19 pandemic;
- our ability to compete effectively with existing competitors and new market entrants; and
- the growth rates of the markets in which we compete.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this Annual Report on Form 10-K.

Forward-looking statements are based on our management’s beliefs and assumptions and on information currently available. These forward-looking statements are subject to a number of known and unknown risks, uncertainties and assumptions, including risks described in the section titled “Risk Factors” and elsewhere in this Annual Report on Form 10-K. Other sections of this Annual Report on Form 10-K may include additional factors that could harm our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time, and it is not possible for our management to predict all risk factors 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 from those contained in, or implied by, any forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. We cannot assure you that the events and circumstances reflected in the forward-looking statements will be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this report or to conform these statements to actual results or to changes in our expectations. You should read this Annual Report on Form 10-K and the documents that we reference in this Annual Report on Form 10-K and have filed as exhibits to this report with the understanding that our actual future results, levels of activity, performance, and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the filing date of this Annual Report on Form 10-K, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

Where You Can Find More Information

Investors and others should note that we may announce material business and financial information to our investors using our Investor Relations website (investors.confluent.io), our filings with the Securities and Exchange Commission (“SEC”), webcasts, press releases, public conference calls, and blogs published on our website. We use these mediums, including our website, to communicate with investors and the general public about our company, our products, and other issues. It is possible that the information that we make available on our website may be deemed to be material information. We therefore encourage investors and others interested in our company to review the information that we make available on our website.

We also use our X (Twitter), LinkedIn, and Facebook accounts as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. The information we post through these social media channels may be deemed material. Accordingly, investors should monitor these accounts, in addition to following our SEC filings, webcasts, press releases, public conference calls, and blogs published on our website. The information we post through these channels is not a part of this Annual Report on Form 10-K. These channels may be updated from time to time on our investor relations website.

PART I

Item 1. Business

Overview

Confluent is pioneering the Data Streaming Platform category, setting data in motion to power the world’s real-time operations and analytics. We have established a new category of data infrastructure and built a comprehensive platform that enables organizations to stream, connect, process, and govern data in motion across their entire enterprise. The Data Streaming Platform is designed to serve as the intelligent connective tissue linking all of the applications, systems, and data layers within the company into a single central nervous system of real-time streams of data. The Data Streaming Platform is emerging as one of the most strategic parts of the next-generation technology stack, enabling modern companies to serve their customers, improve their offerings, outpace their competition, and win in a digital-first and AI-powered world.

The Data Streaming Platform delivers four key capabilities, Stream, Connect, Process, and Govern, that reinforce each other to create a comprehensive platform for data in motion. Streaming is the foundation, enabling data to continuously move in real-time to power modern business operations and applications. As companies implement more and more data streams, they must connect a growing number of systems, applications, and data sources with the ultimate goal of building a complete network that spans the entire technology stack of the company. Once the network of connected systems and applications begins to grow, companies increasingly need to process data in real-time in order to transform, clean, and augment the data as it moves from one system to another. Finally, as the scale and scope of streaming increases, companies need to govern these data assets to ensure they are discoverable, secure, compliant, and trustworthy as they power a growing number of critical applications within the company. Our Data Streaming Platform is designed to fulfill all of these customer needs in a comprehensive and integrated way.

Confluent is operating at the convergence of three major industry trends that we believe will drive continued adoption of the Data Streaming Platform. First, open source technologies like Apache Kafka®, Apache Flink®, Apache Iceberg®, and Delta Lake have matured into enterprise-ready standards with widespread adoption that drive a virtuous cycle of technical expertise, community contributions, and proven production deployments. Second, as organizations continue to invest in sophisticated analytical capabilities across data warehouses, data lakes, and analytics engines, the need for real-time, reusable data assets that can power both analytics and operations continues to grow. Third, the emergence of generative artificial intelligence (“AI”) and event-driven autonomous agents will elevate the importance of real-time, contextual data that can power these systems’ ability to make decisions and drive business outcomes. We believe each of these trends represents a significant opportunity for the Data Streaming Platform.

Our open source roots are a key driver of our go-to-market success. The foundation of our platform includes multiple open source technologies that have become the standard for data in motion. Apache Kafka, originally created by our founders while at LinkedIn in 2011, introduced a new paradigm of data processing and has become the industry standard for data streaming, estimated to be used by over 80% of the Fortune 500. Modern applications are expected to integrate with Kafka, and the technical skill set for Kafka has become a critical requirement in the industry. We have expanded our technological foundation to include Apache Flink, supported by the acquisition of immerok GmbH, a managed services company focused on Flink stream processing. We have also expanded to include support to materialize data streams into open table formats like Apache Iceberg and Delta Lake, which have rapidly become the standard for numerous analytics compute engines. This powerful combination of technologies allows companies to unify data across their operational and analytical domains in a single platform. The developer community understands the benefits of a complete Data Streaming Platform and software developers within our prospective customers’ engineering and IT departments are often very familiar with our underlying technology and value proposition and evangelize on our behalf.

Confluent is pioneering this fundamentally new category. Our offerings are designed to act as the nexus of real-time data from every source, allowing it to stream across the organization and enabling applications to harness it to power real-time customer experiences and data-driven business operations. Our offerings include a fully-managed, cloud-native SaaS offering available on all major cloud providers, a Bring Your Own Cloud (“BYOC”) offering where management responsibilities are shared between Confluent and the customer, and an enterprise-ready, self-managed software offering. Our cloud-native offering works across multi-cloud and hybrid infrastructures and supports a variety of deployment models to support diverse customer requirements, delivering massive scalability, elasticity, security, and global interconnectedness, enabling agile development.

Confluent has built an operationalized customer journey, which we call our Data in Motion Journey, that ties together product features, go-to-market efforts, and customer success capabilities. This progression helps take customers from their initial experiments with the technology to organization-wide adoption as one of their most critical data platforms. This starts by landing use cases in a high volume, low-friction manner while projects are still being conceived and the architecture of the solution is being designed. Awareness and use of our offerings begin even before our sales efforts, given the widespread adoption of Apache Kafka by developers and the self-service adoption made possible with our cloud product and community downloads. Our enterprise sales force takes these initial engagements and helps users progress to production use cases and paying customers either on a pay-as-you-go model or with a committed contract. Once customers see the benefits of our product for their initial use cases, they often expand into other use cases and lines of business, divisions, and geographies. Our deep technical expertise, coupled with our product capabilities and laser focus on customer outcomes, enable us to form strategic partnerships with our customers on this journey. This expansion is helped by a natural network effect in which the value of our platform to a customer increases as more use cases are adopted, more applications and systems are connected, and more data is added. Over time, by enabling data in motion across the organization, Confluent can become the central nervous system for their entire organization, allowing data to be captured and processed as it is generated in real-time across hundreds of teams, systems, and applications throughout the company.

Customers who have deployed Confluent often see faster time-to-market along with substantial cost savings versus similar deployments using only open source technologies or a competing offering, with key categories of savings across infrastructure spend, development and operational resources required, and costs associated with downtime and security breaches. We have heavily invested in enterprise-ready features that complete and extend open source Apache Kafka and Apache Flink by simplifying the infrastructure, extending compatibility to the surrounding data ecosystem, and ensuring security and reliability at scale. As a result, companies who utilize Confluent as their central nervous system are able to avoid many of the steps that would normally be required to develop a complex data streaming system at scale and may simply leverage Confluent’s fully managed, pre-built, and enterprise-grade features. This allows customers to spend less time building core features from scratch, and devote fewer engineering hours to operations and maintenance.

Our Solution

Confluent is pioneering the Data Streaming Platform, a fundamentally new category of data infrastructure focused on data in motion for developers and enterprises alike. The data required to power the real-time experiences today’s customers demand is stuck in a data mess - an increasingly complex web of batch-oriented, custom code integrations across a growing number of systems, apps, and databases. Confluent’s Data Streaming Platform is designed to allow customers to stream, connect, process, and govern all of their data, and make it available wherever it’s needed, however it’s needed, in real-time. Data moves through this platform, and pipelines are built to shape and deliver the data in real-time, to any destination. Confluent helps transform your data mess of silos and batch processes into a system of data in motion, so you can create real-time experiences faster, safer, and more cost-effectively than ever.

Our offerings enable real-time streaming across the organization in a fast, safe, and cost-effective manner. Confluent works to eliminate the operational and infrastructure burdens associated with data streaming across any deployment - cloud, on-premise, or hybrid - and empowers developers and architects to redirect their focus from the tactical challenges of streaming data, to actual innovation in their business. Our Data Streaming Platform connects and unlocks your enterprise data from source systems - wherever they reside - and serves it as continuously streamed, processed, and governed data products. These real-time data products are designed to be valuable, trustworthy, and reusable, and ensure data is used in a consistent manner everywhere it's needed. We believe that, over time, Confluent can become the central nervous system for modern digital enterprises, providing ubiquitous real-time connectivity and powering real-time applications across the enterprise.

The following are two essential attributes of a central nervous system from a data-in-motion perspective:

1. A full central nervous system must be able to connect and react to data wherever it exists, whether in an on-premises data center or in the public or private cloud.
2. It must also be able to span all environments while unpacking the “data mess”- i.e., the patchwork of different data ecosystems, applications, and systems created by both modern real-time use cases, while satisfying the security and compliance requirements of legacy environments.

Confluent's offerings span both of these requirements. Our approach unleashes a virtuous cycle of innovation, with each new data product increases the value of the others and enables more reuse across the organization. It changes your focus from “where is my data and is it accurate” to “what is my data and how do I get value from it immediately”. Confluent connects all your applications, systems and teams with a shared view of the most up-to-date, real-time data. Our offerings also span all environments - we have a fully-managed SaaS offering (Confluent Cloud) that is entirely cloud-native, an on-premises offering (Confluent Platform) for deployments that must remain on-premise, and our acquisition of WarpStream adds a BYOC offering that provides benefits of a managed service while the raw data remains inside a customer's own existing virtual private cloud (“VPC”). Together, these offerings provide our customers with a menu of cost-effective options to meet the varied throughput, latency, and performance requirements of each of their workloads. All of these offerings can be used simultaneously, with one unified fabric for data streams that connect all of these customer environments.

In addition, Confluent's solution is differentiated from other offerings in the following three ways:

- **Cloud-Native.** Operating natively in the cloud is fundamentally different and requires a completely different feature set to enable elasticity, performance and resilience, cutting right to the heart of the design of data systems. With this in mind, we have heavily invested in rearchitecting the technologies underlying data in motion, including Apache Kafka, with our purpose-built Kora engine, which powers Confluent Cloud to be a fully managed service that scales elastically, offers built-in resilience, and runs with consistently low latency. We've brought the best of Kora into the data center as well for our on-premises offering, Confluent Platform. Further, WarpStream is built to offer managed cloud benefits to our customers inside their existing VPC, ensuring their customer data remains within their existing cloud environment.

Across these offerings, we offer cost-effective options for our customers to stream based on their specific use case. On Confluent Cloud, our multi-tenant clusters such as Enterprise and Freight give customers the option of streaming with consistently low latency, or trading latency for additional cost savings. WarpStream also offers a lower cost option for relaxed-latency use cases for customers who want to use their own cloud infrastructure. Finally, Confluent Platform supports customers that require private workloads. Getting started with Confluent is easy: we offer a high-velocity, frictionless pay-as-you-go model, allowing developers to easily sign up and experience the value of Confluent, and seamlessly transition across any of our offerings.

- **Complete.** Confluent's Data Streaming Platform goes far beyond Kafka to help customers build streaming data pipelines and applications faster than ever. Our complete Data Streaming Platform helps customers connect, process and govern data to create real-time, reusable data products that not only help customers achieve their first use case quickly, but also accelerates time-to-market for future use cases through reuse.

Customers can connect their data from or into source and sink systems with our portfolio of pre-built connectors, or through custom connectors to homegrown apps. Our Connect with Confluent program drives direct integration of Confluent into our partner systems such as MongoDB, Amazon Athena, and more. With the data connected, users can process it for business context and logic using Apache Flink, the industry standard for stream processing. Our acquisition of immerok GmbH, an Apache Flink stream processing managed services company, enabled us to build Confluent Cloud for Apache Flink, our serverless Flink offering. Furthermore, customers can govern this data with Stream Governance, the industry's only governance suite purpose-built for data in motion. Stream Governance allows customers to turn streaming data into real-time data products with schemas, metadata, data contracts, and more, delivering an easy, self-service experience that enables additional teams within the company to discover, understand, and put these data products to work in a safe and secure manner.

- **Everywhere.** We allow customers to operate anywhere - in our managed cloud, on-premise, in the customer's existing cloud environment, or a combination of all of these. We have built a truly hybrid and multi-cloud offering. We offer this essential capability and enable organizations to seamlessly leverage data in motion across their public cloud, private cloud, and data center environments, ensuring total connectivity throughout an organization. For enterprises that are increasingly expanding internationally, Confluent's multi-cloud support also enables organizations to leverage data in motion across multiple data centers and providers, stretched around the world. For enterprises that maintain hybrid cloud environments, Confluent is able to extract information from the entirety of their infrastructure, allowing us to act as the bridge that unites legacy systems in older environments with modern applications in the cloud. This ability to let customers embrace the new without having to fully replace everything that is old is a critical point of differentiation and a critical element in the cloud adoption strategy of many of our customers.

Our Virtuous Cycle: Powerful Network Effects and Economies of Scope Drive Further Confluent Adoption

As the adoption of Confluent's Data Streaming Platform grows within an organization, the network effects we generate create even more value to the organization as a whole. By fundamentally re-architecting how data flows, we are able to replace complexity with simplicity, delays with real-time, and disparate data with a unified view across the modern enterprise software stack.

Most organizations start off with a complex mess of point-to-point connections between their applications, databases, and data warehouses. This is unavoidable when data is primarily at rest, held in storage across the organization, and requiring these connections to be built. Fortunately, our platform has a unique network effect that helps speed its adoption. The first application that utilizes our platform generally does so for the capabilities in harnessing data in motion. In doing so, it brings into the platform the data streams needed for its usage. However, although these data streams are brought for one application, they are usable by all future applications and bring value to the entire ecosystem. As a result, future applications can connect to the platform to access these data streams, bringing with them their own data streams. Each subsequent application can be delivered more quickly and at a lower cost as it is built on the foundation of existing data products within the enterprise. As a result, there is a clear virtuous cycle: applications bring data streams, which in turn attract more applications.

The completeness of our Data Streaming Platform creates substantial potential value for customers. The value of a network increases as more connections are created, and any factors that constrain the number of possible connections also constrain the total value of the network. For example, if a solution only offers a single deployment model or only serves a narrow range of cost-performance requirements, it will be viable to replace some, but not all of the point-to-point connections within an organization. The maturity and completeness of our Data Streaming Platform means that it is a viable solution to replace more of these point-to-point connections compared to alternatives. For example, our solution allows customers to deploy in our managed cloud, on-premises, in their existing cloud environment, or a combination of all of these. Further, our multiple cluster types allow customers to match the specific throughput, latency, and cost requirements of each individual workload while still seamlessly exchanging data using our proprietary Cluster Link technology. This completeness creates economies of scope for the customer, enabling them to replace a diversity of point-to-point connections with Confluent as the single Data Streaming Platform, increasing the total potential value of the network.

As customers expand with our foundational platform, we set more and more data in motion across the organization and replace the various point-to-point connections with our complete platform. This means data can intelligently be made available in real-time to more and more of the organization as applications connect to a single platform. We are able to hold a highly strategic position to create greater value to existing applications and databases as data in motion across the entire organization begins to flow, be directed, and be processed through Confluent. We believe that this eventually leads to Confluent becoming the central nervous system of an organization, allowing data to be captured and processed as it is generated around the whole organization, enabling organizations to react intelligently in real-time.

Key Benefits to Our Customers

Our platform delivers the following key business benefits to our customers:

- ***Deliver Data as a Product to Optimize Efficiency and Scalability.*** Customers can use Confluent to transform data correctly the first time, eliminating the need for future separate downstream transformations. Applications that require data can simply connect to Confluent with no additional transformations needed.
- ***Ability to Deliver Rich Customer Experiences and Data-Driven Business Operations.*** The world is increasingly demanding applications that are responsive in real time to data in motion. By harnessing the power of data in motion, our customers can deliver differentiated customer experiences, such as suggesting the next show to watch in real time or providing live information on the status of a grocery order. Enterprises can also enable data-driven operations such as real-time, preventive maintenance, IoT analytics, and diagnostics.

Accelerated Time-to-Market. Speed is essential for our customers, as they seek to disrupt established industries or innovate to fend off emerging disruptors. Our fully-managed cloud-native service enables our customers to start developing instantly, without any internal or external operational barriers. With our Stream Governance suite, we offer the industry's only fully managed data governance suite purpose-built for Apache Kafka and the intricacies of data streaming. As mentioned earlier, Stream Governance establishes trust in the real-time data moving throughout the business and delivers an easy, self-service experience that enables more teams to discover, understand, and put their data streams to work. With trusted, high-quality data streams, self-service data discovery, and insights into complex data relationships, teams can safely accelerate data streaming initiatives without bypassing controls for risk management or regulatory compliance.

- **Reduced Total Cost of Ownership.** Confluent significantly reduces the operational barriers and costs associated with shifting to a data-in-motion architecture. Our solution also supports a variety of deployment models and cluster types that allow customers to select the right cost-performance combination for each specific workload. For example, this allows a customer to select a higher cost, higher performance cluster for a workload like fraud detection that must operate with very low latency while also selecting a lower cost cluster for a workload like logging that can operate effectively with a relaxed latency requirement. Coupled with accelerated time to market, our customers benefit from both reduction in total cost of ownership as well as rapid ROI.
- **Freedom of Choice.** Confluent is hybrid and multi-cloud compatible so customers can deploy on-premises, in our managed cloud, in their existing private cloud environment, or a combination of all of these. In practice, large enterprises operate complex and heterogeneous technology estates that span multiple geographies and regulatory environments and include a combination of legacy, home-grown, and modern applications. We recognize that a solution that can support all of these requirements, and thus replace all of the brittle point-to-point connections among systems, is much more valuable than a solution that is only able to connect a subset of these various data sources.
- **Mission Critical Security and Reliability.** Confluent has enterprise-grade security and governance capabilities to provide confidentiality of critical information. We enable mission-critical reliability and resiliency, allowing data persistence, dynamic backing up of data across replicated partitions, fault-tolerance, and automated client failover.
- **Robust Developer Community.** Confluent's Data Streaming Platform is built on several open-source technologies, each with a robust community of developers who contribute code and add technological momentum to the project. Apache Kafka, the foundation of the Data Streaming Platform, is one of the most successful open source projects in existence, estimated to be in use by over 80% of the Fortune 500. Confluent has continued to contribute code to open source Kafka and to nurture the global community of Kafka users through a rich set of outreach and education programs. These programs help create more developers outside of Confluent who contribute new features and bug fixes to Kafka alongside Confluent, which continues to add features both to Kafka and to its proprietary offering. This leads to a reinforcing feedback loop, strengthening the Kafka offering, which attracts more developers, who in turn further strengthen Kafka with their contributions. In addition, we make available many features that we have developed at Confluent under our Confluent Community License, which means developers can access, benefit from, and modify the source code for such features, further increasing our reach and mindshare in the developer community.

Our Growth Strategy

We are pursuing our substantial market opportunity with growth strategies that include:

- **Easy and Frictionless Land with Cloud Pay-As-You-Go.** Due to the cloud-native nature of Confluent Cloud, we are able to acquire new customers through a seamless and frictionless self-service motion. Customers can get started via our free cloud trial and easily convert online to become paying customers. Our cloud-native capabilities allow us to land customers at low entry points, with no commitment, and seamlessly expand via increased usage. We will continue to leverage our cloud-native differentiation to create an easy buying motion and drive our growth.

Continue our Focus on our Customer Growth Go-To-Market Model. Our integrated customer growth go-to-market model is “consumption-oriented”, meaning that our success is tied to our customers’ actual usage of and success with our product. The model is designed to drive business growth by mapping the customer journey from initial interest, to pilot, to first production project, to an integrated platform across the enterprise. We have designed and implemented this strategy to garner customer signups, convert them to paid customers, expand long-term consumption through additional use cases and rapidly deliver customer value. We will continue to offer a range of services and training offerings, partnering with our customers to increase the value they realize from our solution and thereby increase their consumption of our offering.

- **Enterprise-Wide Adoption via Use Case Expansion.** After acquiring a new customer, we seek to grow our footprint by solving additional use cases for that customer. Since we are a fundamental data infrastructure platform, the use cases we can address are wide-ranging, encompassing both horizontal IT workloads such as pipelines to cloud databases and data warehouses, microservices-based application development, and mainframe integration, as well industry-specific use cases such as faster and smarter real-time fraud detection. We enjoy a powerful network effect as we enter organizations; once one application is connected to Confluent, our customers often connect other applications to that first application. This dynamic can result in a flywheel where each additional project is delivered more quickly and at a lower cost than it otherwise would have been, allowing Confluent to permeate the enterprise. We believe Confluent can become the central nervous system of modern enterprises at scale.
 - **Extend our Product Leadership and Innovation.** We pioneered the category of harnessing the power of data in motion and are committed to innovating to extend our product leadership. We will continue to build out our platform, add more capabilities, build more applications, and invest in developing technology that increases developer productivity and promotes rapid customer success. To offer some examples of this commitment to our user community:
 - We re-architected Kafka with Kora, which powers Confluent Cloud to be a fully-managed cloud service with significant performance gains over open source Apache Kafka.
 - We built a fully-managed Apache Flink service that allows teams to create high-quality, reusable data streams that can be delivered anywhere in real time.
 - We developed Stream Governance, the industry's only fully-managed data governance suite for Kafka.
 - We developed Tableflow, which makes it push-button simple to take Kafka data and feed it directly into a customer's data warehouse, data lake, or analytics engine as materialized Apache Iceberg or Delta Lake tables.
 - **Continue to Invest in the Open Source Community.** Our open source roots provide a large pool of targeted developers and enterprises who are interested in or have already adopted the open source technologies that underlie the Data Streaming Platform, including Apache Kafka, Apache Flink, and Apache Iceberg. These developers are readily able to use and benefit from our cloud-native service or enterprise-ready software, since in many cases they are already familiar with the underlying technologies. For those who are not yet acquainted with these technologies, we operate a rich set of programs to drive awareness and guide developers through their adoption and success journeys. These investments continuously drive value into the open source community, ensuring that we maintain our leadership standing in the new data streaming paradigm and continue to realize the open source benefits to our business.
 - **Grow and Harness our Partner Ecosystem.** We have built a powerful partner ecosystem encompassing the major cloud providers, global and regional systems integrators, OEMs, and ISVs. Our partners include Amazon Web Services ("AWS"), Microsoft, Google Cloud, Accenture, Infosys, Alibaba, Elastic, MongoDB, and SAP.

We intend to continue to invest in these relationships and build further partnerships to ensure our software is widely sold, distributed, and supported across the globe. We continue to optimize and launch partner programs for each of the partner types so that they have a repeatable way to work with our product, professional services, marketing, and sales team. The programs include but are not limited to the Confluent OEM Program, Connect with Confluent, Migration Accelerator, Build with Confluent, and Accelerate with Confluent.
- Expand Internationally.** We believe markets outside of the United States present a significant opportunity for additional growth of our business. During the year ended December 31, 2024, our international revenue represented 40% of our total revenue, coming from customers in over 100 countries. We expect to continue to make significant investments to support our growth in our existing international markets and in penetrating additional international markets.

- **Expand the Scope of our Data Streaming Platform with Stream Processing, Connect, Governance, and Other Investments.** We have made significant investments in our Data Streaming Platform to enable customers to stream, connect, process, and govern their data in motion. With the advancements in Flink, we are leveraging a powerful technology for building stream processing applications with one of the most popular Apache open source projects. We intend to continue to expand the capabilities of our Connect framework to further allow Confluent to be the source of truth of and central nervous system for all of an organization's data. We also intend to continue to invest in our Stream Governance suite to enable teams to manage all data streams while maintaining stream quality, security, and regulatory compliance. As the rise of real-time stream processing of data in motion continues to accelerate, we believe our investments in these areas position us well to capture this shift and use it to fuel further growth.
- **Uniting the Operational and Analytical Estates:** The technology landscape within many enterprises is divided into the "operational estate", which encompasses systems that support the day-to-day business operations of the company, and the "analytical estate", which consists of data warehouses, data lakes, and analytics engines that support business intelligence (BI) and reporting. In most enterprises there is a divide between these two domains, which results in data silos, inconsistent data quality, and delayed insights as data moves from one domain to the other in a complex, slow, redundant, costly batch-based process. Our Data Streaming Platform is the ideal technology to unify these two estates and drive reliable, reusable, real-time data across all domains by adopting a "Shift Left" architecture, which refers to moving the processing, transformation, and governance of data upstream or "left" in the architecture closer to the source of that data. This approach reduces complexity, eliminates duplicate data pipelines, and ensures high-quality, reliable data access for both operational and analytical use cases. Ultimately, this architecture enables customers to derive more value from their existing technology investments in both the operational and analytical estates, and positions Confluent as the central nervous system for data in motion within enterprises.
- **Underpin our Customers' Generative and Agentic AI Transformations:** Companies are increasingly assessing and adopting artificial intelligence (AI) solutions to embed in their operations and in their products. In the enterprise context, these technologies are only as useful as their ability to access and interact with company data and systems in a trusted and timely manner. In some cases, applications will not be time sensitive and will rely on data updated periodically through batch processes. In many cases, however, AI applications will demand data that is up-to-date and captures the real-time state of the business, its customers, and the market landscape. Confluent's Data Streaming Platform is uniquely positioned to support the next generation of AI applications by enabling real-time, event-driven architectures ideal for coordinating and orchestrating autonomous agents. This approach overcomes the limitations of batch processing, allowing AI systems to operate on the freshest, most relevant data. By integrating AI applications with real-time streaming data, customers can drive real-time personalization, decision-making, and scalable, flexible architectures that evolve alongside AI advancements. Confluent is well positioned to meet the growing demand for AI-driven solutions across various industries.
- **Grow Further Use Cases Up-The-Stack Leveraging our Strategic Position for Data in Motion.** Data in motion is a disruptive new platform technology, and as such there are countless use-case focused opportunities up the stack. As we grow into our role as a central nervous system within companies, we believe we have an incredibly strategic position from which to grow into use-case specific adjacencies that apply data in motion. We see the potential for broad, cross-industry customer adoption of use cases around machine learning, generative AI, agentic AI, IoT, data integration, real-time analytics, real-time logistics, customer data unification, cloud migration, microservices, data sharing, as well as countless others. We believe that increased adoption of these use cases will also drive demand for data streaming.

We believe we are strategically positioned to understand what these use cases are when reimaged around data in motion and to partner and/or build pre-packaged solutions purpose-built for these use cases.

Our Product Offering

Confluent's full-featured Data Streaming Platform provides a complete solution for customers to stream, connect, process, and govern all of their data, and makes it available wherever it's needed, however it's needed, in real-time. We provide Confluent Platform for deployments that must remain on-premises, Confluent Cloud, a fully-managed SaaS offering that is entirely cloud-native, and WarpStream, a BYOC solution that offers a managed streaming service where the raw data resides inside a customer's own cloud environment. Confluent Platform, Confluent Cloud and WarpStream offer unique benefits both individually in their respective environments and collectively as a single unified Data Streaming Platform. And regardless of where our customers have their technology environments, they can mix and match across these offerings based on their use case and needs, while still maintaining the experience of a single integrated Data Streaming Platform that can grow to become the core of their central nervous system.

- **Confluent Cloud is our fully-managed cloud-native offering, available on all of the major cloud providers (AWS, Google Cloud Platform, and Microsoft Azure).** Confluent Cloud is offered to our customers via a pay-as-you-go model with no commitment, or via an annual, or multi-year, subscription model where customers draw down upon a committed dollar amount. Confluent Cloud offers several unique attributes:
 - *Serverless.* We have heavily invested in rearchitecting open source Apache Kafka with our purpose-built Kora engine, which powers Confluent Cloud to be a truly serverless offering. Confluent Cloud offers self-serve provisioning with no complex cluster sizing, zero downtime, upgrades and bug fixes, autoscaling, and true scale-to-zero pricing with the ability for customers to pay only for what they actually use.
 - *Complete.* Confluent Cloud offers a complete Data Streaming Platform to stream, connect, process and govern your data. We offer over 80 fully managed connectors to popular source and sink systems, and custom connectors for homegrown systems and applications. We also offer the industry's only governance suite for data in motion, Stream Governance, which gives users the ability to govern data with schemas, metadata, data quality rules, cataloging, lineage, and more. Finally, we have transformed Apache Flink, the industry standard for stream processing, into a truly serverless offering that is integrated with our Data Streaming Platform to help enrich, transform and process streaming data.
 - *Flexible.* Confluent Cloud offers cost-effective options for our customers to stream based on their specific use case. On Confluent Cloud, our multi-tenant clusters such as Enterprise and Freight give customers the option of streaming with consistently low latency, or trading latency for additional cost savings. These clusters can be mixed and matched, and also mirrored and linked to our other deployment options across on-premises and cloud.
 - *Highly Available.* Confluent Cloud offers built-in resilience with a guaranteed 99.99% uptime SLA, ability to scale to 10s of GBps with dedicated capacity, and multi availability-zone (AZ) replication.
 - *Secure.* Confluent Cloud offers at-rest and in-transit data encryption, SAML/SSO for user authentication, private networking via VPC peering or AWS Transit Gateway, and monitoring visibility with topic- and cluster-level metrics.
- **Confluent Platform is our enterprise-grade self-managed software offering,** able to be deployed on-premises as well as across public and private cloud environments. Confluent Platform extends the Data Streaming Platform to on-premises users, and is offered to our customers via an annual or multi-year subscription. Confluent Platform offers several unique attributes:
 - *Unrestricted Developer Productivity.* Confluent Platform offers developers the ability to build across multiple development languages, utilize a rich pre-built ecosystem of over 120 connectors, and benefit from a fully integrated data-in-motion database.
 - *Efficient Operations at Scale.* Confluent Platform enables our customers to minimize operational complexity while ensuring high performance and scalability. Confluent Operator simplifies running Confluent Platform with Kubernetes container orchestration, whether on-premises or in the cloud.

- *Production-Stage Prerequisites.* Confluent Platform offers foundational enterprise-level features needed to implement data in motion in production.
- *Freedom of Choice.* Confluent Platform can be deployed on-premises or in public or hybrid cloud environments.
- ***WarpStream offers a data streaming service with managed benefits inside a customer's cloud environment,*** and gives customers the flexibility to use their own existing infrastructure while still enjoying the benefits of a managed service. WarpStream is well suited for workloads that don't require real-time latency, but are high throughput in nature such as logging or monitoring. WarpStream's unique attributes include:
 - *BYOC-Native Design.* WarpStream implements a BYOC model where the data plane remains inside the customer's own cloud environment, the control plane runs in Confluent's managed cloud environment, and only metadata passes between the two environments in order to operate the system. This means that the customer's raw data never leaves their own cloud environment.
 - *Zero Disks, Ops and Scaling.* WarpStream provides autoscaling inside the customer's environment for their data streaming workloads, while avoiding inter-AZ networking fees by writing directly to a customer's object storage resulting in lower cost of operation.
 - *Easy Migration with WarpStream Orbit.* WarpStream offers easy migration from any Kafka-compatible source with WarpStream Orbit for simple migration, disaster recovery, cost-effective storage improvements, and more.

When customers mix and match across Confluent Cloud, Confluent Platform, and WarpStream for their cloud and on-premises deployments, they can leverage the full features and functionality of our unified Data Streaming Platform. Many of the benefits that multi-cloud and hybrid customers derive from using either Confluent Cloud, Confluent Platform or WarpStream are amplified when connecting across environments, and deployments across these offerings benefit from the following features and functionality that enable adoption of data in motion throughout an organization:

- ***Stream***
 - *Serverless, Autoscaling Clusters* in Confluent Cloud abstract all operational burdens of self-managing Kafka, and are cost-effective for each use case with autoscaling, built-in resilience, and consistently low latency.
 - *Tiered Storage.* Tiered Storage allows deployments to recognize two tiers of storage: local disks and cost-efficient object stores (Amazon S3 or GCP Storage). Brokers can offload older topic data to more cost-effective object storage, enabling virtually infinite retention.
 - *Self-balancing and Multi-Region Clusters.* Confluent Platform brings the best of the cloud to the data center, with self-balancing to optimize throughput, accelerate broker scaling, and reduce the operational burden of managing a large cluster. Partition rebalances are completed quickly and without any risk of human error. Multi-region Clusters to allow customers to run a cluster across data centers and automate disaster recovery.
- Cluster and Schema Linking.* Cluster and Schema Linking enable customers to consistently geo-replicate data, making it easy to create a seamless and persistent bridge from Confluent Platform in on-premises environments to Confluent Cloud.

- **Connect**

- *Over 120 Pre-Built Connectors.* We develop and work with partners who develop enterprise-ready connectors to easily integrate data and build applications. Connectors are supported by either Confluent or our partners.
- *Connect with Confluent.* Allows users to work directly with partner systems such as Mongo DB, Elastic, and more to stream data into Confluent directly from their partner interfaces.

- **Process**

- *Confluent Cloud for Apache Flink.* Confluent took Apache Flink, the industry standard for stream processing and one of the most popular open source projects, and turned it into a serverless offering - Confluent Cloud for Apache Flink.
- *Confluent Platform for Apache Flink.* Confluent also offers Flink in the data center with Confluent Platform for Apache Flink, where we simplify the deployment and management of stream processing applications with Flink in the customers' private environments.

- **Govern**

- *Stream Governance.* Stream Governance establishes trust in real-time data moving throughout the business. We offer an easy, self-service experience that enables more teams to discover, understand, and put data streams to work. With trusted, high-quality data streams, self-service data discovery, and insights into complex data relationships, teams can safely accelerate data streaming initiatives without bypassing controls for risk management or regulatory compliance.
- *Schema Validation.* Schema Validation provides a direct interface between the broker and Schema Registry to validate and enforce schemas programmatically. Schema Validation can be configured at the topic level.
- *BYOC Schema Registry.* WarpStream offers schema registry to help govern data inside the customers' cloud environments, while not passing over the details of the schema to the vendor. Schemas stay private inside the cloud environment.

Our offerings are designed to serve as fundamental data infrastructure for our customers and solve an enormous variety of use cases across both front-end customer experiences and back-end business operations.

In addition to our core offering, we offer several services offerings:

- **Professional Services.** Professional Services provides expertise and tools that help our customers accelerate platform adoption and achieve successful business outcomes. We offer packaged and residency offerings focused on helping customers plan, implement, manage/monitor, and optimize their platform and applications.
- **Education.** Our offerings include training and certification guidance, technical resources, and access to hands-on training and certification exams. Education offerings are targeted at different types of users and delivery modalities to suit end customer needs. We have instructor-led training, self-paced on-demand courses, and certifications.

Certification Program. Technical expertise in data in motion is highly sought after and a highly-paid skill set. Our certification program enables technical personnel to demonstrate and validate in-depth knowledge of data in motion.

Sales and Marketing

In order to fully capitalize on our large market opportunity, our sales and marketing teams are tightly integrated to execute upon a cohesive “consumption-oriented” go-to-market motion. Our sales and marketing teams prioritize the core value of driving customer success and value in all strategies to acquire new customer accounts and grow our presence within existing customer accounts.

Our customer growth go-to-market model is centered around the Data in Motion Journey, from initial interest, to pilot, to first production project, to an integrated platform across the enterprise. Through mapping to the customer journey, we are able to drive customer value in a highly targeted manner, and our success is tied to our customers’ actual usage of and success with our product.

Our strategy to expand within accounts has two fundamental aspects: first, to convert additional pockets of Apache Kafka interest and deployments within a given customer into a Confluent deployment, and second, to expand into additional use cases within a given customer through solutions selling with horizontal and vertical solutions. In both the initial deployment and the expansion, we layer additional products to connect, process, and govern streaming data as appropriate to the customer’s use case on a path to the deployment of the full Data Streaming Platform. We believe there is a strong opportunity for growth as we solve a wide array of use cases.

Our focus on customer success is critical to our sales and marketing success. We offer a wide range of training, professional services, education, and support offerings to enable our customers to rapidly onboard, adopt, and ultimately realize value from data in motion.

We believe in offering the ability for customers to engage with us in the manner best suited to them. We offer a fully self-service motion, where developers can learn and purchase in a completely online manner. We offer direct sales engagement, where customers can interact with experienced and knowledgeable field teams. We also offer the ability to engage and transact through our partner ecosystem, including the major cloud provider marketplaces, system integrators, technology ISVs, and resellers.

Our open source roots are a key driver to our go-to-market success. Taken together, the technical communities that have formed around Apache Kafka, Apache Flink, and Apache Iceberg are fervently devoted to these technologies, and often advocate for our technology even when we are not engaged in an organization. They see the value of open source technologies and the opportunity to benefit from a complete Data Streaming Platform with Confluent. Consequently, our prospective customers are often very familiar with our underlying technology and value proposition, and are capable of evangelizing on our behalf.

Executive-level engagements are also a key facet of our growth strategy. As our customer engagements progress from project to platform to enterprise-wide deployments, our customer relationships often include business as well as technology leaders. Through this wide set of customer relationships, we believe we will be more rapidly able to evolve into enterprise-wide customer deployments.

Partnerships

Partnerships with the leading cloud providers, as well as global and regional systems integrators, software vendors, and Original Equipment Manufacturer partners are also central to our product and go-to-market strategy. Through these partnerships, we believe we can significantly expand the reach of our technology.

Cloud Service Providers (CSPs) such as AWS, Microsoft Azure, and Google Cloud are integral to our customers' technology strategy. Most enterprises operating at scale have standardized on one of these leading CSPs or adopted a multi-cloud strategy. We host Confluent Cloud on each of these leading CSPs and integrate with their key first party data, analytics/AI, and security services to offer our customers a cloud native Data Streaming Platform that is uniquely built for each of the CSPs. This serves to reduce the cost and complexity for our customers while at the same time increasing the reach and adoption of Confluent. CSPs also help drive consumption of Confluent as customers draw down their CSP commits with Confluent via direct sales or the cloud marketplaces.

Systems Integrators (SIs) such as Accenture, Ernst & Young, Tata Consultancy Services, and Deloitte serve as trusted partners for many large enterprises with a broad view across the technology landscape that these businesses rely on. SIs are building practices around Confluent as the Data Streaming Platform becomes a critical piece of the modern data stack and an integral part of their business offerings. SIs provide expert guidance and tailored offerings, in particular to help accelerate the cloud transformation for customers migrating from on-premises to cloud solutions. SIs also co-develop industry-specific solutions that combine the value of their expertise and services with the underlying value of our Data Streaming Platform. Programs like Build with Confluent and the Confluent Migration Accelerator empower SIs to transform their service offerings into real-time solutions built with the leading Data Streaming Platform.

Independent Software Vendors (ISVs) such as MongoDB, Elastic, SAP, Snowflake, and Databricks develop native integrations with Confluent that enable customers to work with real-time data in the context of their preferred tools and technologies. The Connect with Confluent program supports ISVs in creating these integrations, driving increased consumption of Confluent for these connected use cases.

Confluent's Original Equipment Manufacturer (OEM) Partner Program, such as with Alibaba, Jio, Infosys, and Mindgate Solutions, helps Managed Service Providers (MSPs), CSPs, and ISVs launch new revenue streams for their business faster that are built on enterprise-grade data streaming. Confluent's complete Data Streaming Platform allows our OEM partners to stay focused on their core roadmap, accelerate time to market, and reduce operational risks. The program also offers flexible commercial terms that match the ways partners sell, technical support from the Kafka experts, and warranty/indemnification for their business.

Our partnerships help ensure that our customers have seamless access to real-time data streams within their preferred technology environments, have expert guidance for their cloud transformations, and have real-time data integrated into the applications they rely on most. These partnerships also help Confluent reach and serve new customers and expand the reach and adoption of our technology.

Research and Development

Our research and development efforts are focused on enhancing our platform features and functionalities and expanding the services we offer to increase market penetration and deepen our relationships with our customers. We believe that the timely development of new, and the enhancement of our existing, platform features and services is essential to maintaining our competitive position. We continually incorporate feedback and new use cases from our community and customers into our platform. Our development teams foster greater agility, which enables us to develop innovative products and make rapid changes to our technologies that increase resiliency and operational efficiency.

Competition

Our market is highly competitive and characterized by rapid changes in technology, customer needs, frequent introductions of new offerings, and improvements to existing service offerings. Our competitors can be broadly segmented into three categories:

- **Open Source Kafka and Flink.** Our primary competition, especially on premise, is internal IT teams that are attempting to “do it themselves” using open source software. Our offerings are substantially differentiated from Apache Kafka and Apache Flink, and therefore companies using only open source tools do not benefit from our full product offering. As the move to the cloud increases, we expect that competition from open source alternatives will decrease as companies increasingly adopt fully-managed cloud solutions.
- **Cloud Service Provider Alternatives.** Our principal competitors in the cloud are the well-established public cloud providers such as AWS that generally compete in all of our markets. These enterprises are developing and have released fully-managed data ingestion and data streaming products, such as Azure Event Hubs (Microsoft Corporation), Amazon Managed Streaming for Apache Kafka, Amazon Kinesis, and Amazon Managed Service for Apache Flink (AWS), and Cloud Pub/Sub, Cloud Managed Service for Apache Kafka, and BigQuery Engine for Apache Flink (Google).
- **Competing Technologies and Legacy Vendors.** On premises there are a number of vendors with legacy products that have pivoted into this space including TIBCO Streaming, Cloudera Dataflow, Red Hat (IBM) AMQ Streams, and Oracle Cloud Infrastructure Streaming.

We believe the principal competitive factors for companies in our industry include the following:

Focus on data in motion, characterized by:

- the ability to provide an end-to-end operationalized customer journey;
- mindshare and ability to drive innovation in the category of data in motion;
- the ability to support customers at scale with mission critical use cases; and
- experience implementing the solution in production in a wide variety of technical environments in support of a broad set of industries and use cases.

Product differentiation, characterized by:

- Cloud-native capabilities
 - operate at significant scale;
 - offer elasticity;
 - offer end-to-end security; and
 - offer flexible pricing, including pay-as-you-go delivery.
- Completeness of offering
 - a complete Data Streaming Platform (not just low-level streaming);
 - unified and scalable stream processing;
 - integrated data governance capabilities for higher data quality; and

- ease of integration with connectors to a wide variety of existing applications and IT and cloud infrastructure.
- Availability of offering
 - as a fully-managed service in the three leading public clouds;
 - as a Kubernetes-based software offering for the private cloud;
 - in legacy on-premises data centers as a software product; and
 - ability to span all of these customer environments in one unified data-in-motion platform.
- General competitive factors, including:
 - size of customer base and level of market adoption;
 - price and total cost of ownership;
 - brand awareness and reputation;
 - quality of professional services and customer support;
 - strength of sales and marketing efforts; and
 - adherence to industry standards and certifications.

On the basis of the factors above, we believe that we compare favorably to our competitors. However, some of our actual and potential competitors have advantages over us, such as substantially greater financial, technical, and other resources, including larger sales forces and marketing budgets, greater brand recognition, broader distribution networks and global presence, longer operating histories, more established relationships with current or potential customers and commercial partners, and more mature intellectual property portfolios. They may be able to leverage these resources to gain market share and prevent potential customers from purchasing our products. Additionally, we expect the industry to attract new entrants, who could compete with our business and introduce new offerings. As we scale and expand our business, we may enter new markets and encounter additional competition.

Our Employees and Human Capital Resources

Our Community

Our employees are the power behind our innovation and the foundation of our business. Investing in our people is a high priority and we strive to enhance and advance our culture and community. As of December 31, 2024, we had 3,060 employees distributed across 27 countries. 54% of our employees at that time were located within the United States. Some individual employees outside of the United States may be members of trade unions or participate in staff representative bodies.

Culture and Values

Culture is about how employees of Confluent work together to get things done. While each team has distinct norms and practices, across Confluent we share a set of core values that guide who we hire and what kind of behavior is rewarded. Our five core values are:

- Earn Our Customers' Love
- Be Smart, Humble, and Empathetic
- Be Fired Up and Get Stuff Done
- Be Tasteful, Not Wasteful
- One Team

Leadership Principles

Our leadership principles outline a shared set of expectations for how we think and act at Confluent. They amplify our core values and provide a blueprint for how we deliver on our mission and goals. While we believe every employee has the potential to demonstrate leadership in their day-to-day work, our leadership principles are especially designed to guide and support people managers in becoming the best leaders they can be. Our leadership principles are:

- People Matter
- Seek the Truth
- Prioritize Ruthlessly
- Inspire Excellence
- Optimize for ROI
- Be Open and Honest
- Think Long Term
- Lead with Courage and Honor

Engagement and Communication

Our CEO and executives host regular all-hands meetings to keep our employees apprised of Confluent's strategy, goals and priorities. We also conduct regular, anonymous engagement surveys to help us understand the employee experience, maintain a real-time pulse on employee engagement, and continuously action areas of opportunity as an organization. It is a quick way for management to see trends in engagement and progress on action plans. By continuing to monitor our engagement, we can impact retention and attraction of top talent to Confluent.

Learning and Development

We strive to provide a culture of growth and learning where employees can try new things and continually grow and develop. We offer a variety of resources to support this effort, including leadership development programs and coaching for managers, professional and life skills coaching, ongoing training, and on-demand e-learning platforms for employees. Additionally, managers provide ongoing feedback to facilitate development and track commitments.

At Confluent, we engage in a robust objectives and key results planning process, and also conduct periodic performance reviews and calibration sessions. These, along with regular check-ins, ensure employees receive the guidance and feedback they need to succeed. Additionally, our senior leaders participate in annual talent reviews, succession planning, and organization assessments to identify, grow, and retain our talent bench.

Asynchronous Remote-First Work Environment

Confluent is a remote-first work culture. We care more about how our employees work than where they work. Our remote-first model provides more flexibility for employees and broader access to talent. It also better positions us to support our global customer base.

We provide a number of tools and resources to support, connect, and enable our employees to be successful in this environment. Our team of “Experience Ambassadors,” located in almost every region where we operate, helps to bring our employees together at different times throughout the year. We regularly offer activities to engage with coworkers both in person and virtually. We also provide “FlexDesk” to provide employees and teams an on-demand, professional space to meet in person.

Compensation and Benefits

We aim to provide compensation and benefits that are equitable, competitive, and meet the diverse needs of our global workforce. We believe it is important for our employees to have a stake in our success, which is why our compensation packages include both cash and equity components for most roles.

In addition to our robust suite of medical, dental, vision, and retirement benefits, we provide employees access to mental wellbeing resources, family building benefits, and a comprehensive paid leave program.

In addition, we believe that our remote-first model will enable us to attract top talent and provide employees the flexibility they increasingly seek.

Fairness and Belonging

We are committed to the principles of fairness, belonging, and equal opportunity. We believe that this commitment makes us a stronger, more vibrant, and more innovative company. We seek to build a global environment where every employee, regardless of background, identity, or life experience, has an equal opportunity to grow and thrive.

Intellectual Property

Intellectual property rights are important to the success of our business. We rely on a combination of copyright, trademark, trade secret laws and patents in the United States and other jurisdictions, as well as license agreements, confidentiality procedures, non-disclosure agreements with third parties, and other contractual protections, to protect our intellectual property rights, including rights in our proprietary technology, software, know-how and brand. We use open source software in our offering.

As of December 31, 2024, we hold 10 U.S. patents and have 23 pending patent applications in the U.S. and internationally. The patents are scheduled to expire in 2044. As of December 31, 2024, we own five registered trademarks in the United States, one trademark application pending in the United States, 41 registered trademarks in various non-U.S. jurisdictions, and three trademark applications pending in various non-U.S. jurisdictions.

Although we rely on intellectual property rights, including contractual protections, to establish and protect our intellectual property rights, we believe that factors such as the technological and creative skills of our personnel, creation of new services, features and functionality, and frequent enhancements to our platform are essential to establishing and maintaining our technology leadership position.

We control access to and use of our proprietary technology and other confidential information through the use of internal and external controls, including contractual protections with employees, contractors, customers, and partners. We require our employees, consultants, independent contractors, and other third parties to enter into confidentiality and proprietary rights agreements and we control and monitor access to our software, documentation, proprietary technology, and confidential information. Our policy is to require all employees, consultants, and independent contractors to sign agreements assigning to us any inventions, trade secrets, works of authorship, developments, processes, and other intellectual property generated by them on our behalf and under which they agree to protect our confidential information. In addition, we generally enter into confidentiality agreements with our customers and partners. See the section titled “Risk Factors” for a more comprehensive description of risks related to our intellectual property.

Available Information

Our website address is www.confluent.io. Information found on, or accessible through, our website is not a part of, and is not incorporated into, this Annual Report on Form 10-K. We file electronically with the SEC our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. We make available on our website at www.confluent.io, free of charge, copies of these reports and other information as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

ITEM 1A. RISK FACTORS

Investing in our Class A common stock involves a high degree of risk. You should consider and read carefully all of the risks and uncertainties described below, as well as other information included in this Annual Report on Form 10-K, including our consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K, before making an investment decision. The risks described below are not the only ones we face. The occurrence of any of the following risks or additional risks and uncertainties not presently known to us or that we currently believe to be immaterial could materially and adversely affect our business, financial condition, or results of operations. In such case, the trading price of our Class A common stock could decline, and you may lose some or all of your original investment. You should not interpret our disclosure of any of the following risks to imply that such risks have not already materialized.

Risk Factors Summary

Below is a summary of the principal factors that make an investment in our Class A common stock speculative or risky:

- Our historical rapid growth may not be indicative of our future growth. Our rapid growth also makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.
- We have a history of operating losses and may not achieve or sustain profitability in the future. In particular, we have limited experience operating our business at current scale under economic conditions characterized by high inflation or in recessionary or uncertain economic environments.
- Macroeconomic uncertainty, unfavorable conditions in our industry or the global economy, including those caused by the ongoing conflicts around the world, reductions in information technology spending, or inflation, have impacted and may continue to impact our ability to grow our business and negatively affect our results of operations. In particular, we have experienced and expect to continue to experience longer sales cycles, reduced IT budgets, slowdowns in customer consumption expansion and growth rates, including fewer new use cases adopted by customers, lower consumption from some of our larger enterprise customers, and generally increased scrutiny on IT spending and budgets from existing and potential customers, due in part to the effects of macroeconomic uncertainty and challenges and the geopolitical situation in Ukraine and in the Middle East.
- Failure of our offerings to satisfy customer demands or achieve continued market acceptance over competitors, including open source alternatives, would harm our business, results of operations, financial condition, and growth prospects.
- We intend to continue investing significantly in Confluent Cloud, our DSP capabilities and our BYOC offering, and if these fail to achieve further market adoption or increased consumption, our growth, business, results of operations, and financial condition could be harmed. Reduced consumption by, or the loss or expected loss of, certain customers has historically negatively impacted and may continue to negatively impact our growth, business, results of operations, and financial condition.
- Failure to effectively develop and expand our sales and marketing capabilities or improve the productivity of our sales and marketing organization could harm our ability to expand our potential customer and sales pipeline, increase our customer base, and achieve broader market acceptance of our offerings. In particular, attrition in our sales organization has adversely impacted and may continue to adversely impact our ability to meet our sales, consumption and revenue forecasts, cause delays in our sales cycle, and result in increased costs, any of which would harm our growth, business, results of operations, and financial condition.
- If we are unable to attract new customers or expand our potential customer and sales pipeline, our business, financial condition, and results of operations will be adversely affected.
- Our business depends on our existing customers renewing their subscriptions and usage-based commitments, purchasing additional subscriptions and usage-based commitments, and expanding their use of our offerings.

- If we fail to maintain and enhance our brand, including among developers, our ability to expand our customer base will be impaired and our business, financial condition, and results of operations may suffer.
- The markets in which we participate are competitive, and if we do not compete effectively, our business, financial condition, and results of operations could be harmed.
- We expect fluctuations in our financial results and key metrics, making it difficult to project future results, and if we fail to meet the expectations of securities analysts or investors with respect to our results of operations, our stock price and the value of your investment could decline.
- If we, or third parties with whom we work, experience a security incident compromising the confidentiality, integrity, or availability of our information technology, software, services, communications, or data, we could experience adverse consequences resulting from such compromise, including but not limited to, reputational harm, a reduction in the demand for our offerings, regulatory investigations or actions, litigation, fines and penalties, disruptions of our business operations, or other adverse consequences.
- We rely on third-party providers of cloud-based infrastructure to host Confluent Cloud. Any failure to adapt our offerings to evolving network architecture technology, disruption in the operations of these third-party providers, limitations on capacity or use of features, or interference with our use could adversely affect our business, financial condition, and results of operations.
- The dual class structure of our common stock as contained in our amended and restated certificate of incorporation has the effect of concentrating voting control with those stockholders who held our stock prior to the IPO, including our executive officers, employees, and directors and their affiliates, and limiting your ability to influence corporate matters, which could adversely affect the trading price of our Class A common stock.

Risks Related to Our Business and Operations

Our historical rapid growth may not be indicative of our future growth. Our rapid growth also makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.

Our revenue was \$963.6 million, \$777.0 million, and \$585.9 million for the years ended December 31, 2024, 2023, and 2022, respectively. You should not rely on the revenue growth of any prior period as an indication of our future performance. Our revenue growth rate has declined from time to time, and may decline in the future, as a result of a variety of factors, including our focus on operating efficiency and margin improvement, the effectiveness of our sales and marketing strategies and function, our ability to continue gaining market acceptance of our offerings, macroeconomic challenges and uncertainty, increased competition, and changes to technology. Overall growth of our revenue depends on a number of factors, including our ability to:

- market and price our offerings effectively so that we are able to attract new customers and expand sales to our existing customers, including ensuring that customers can realize the full potential of our Data Streaming Platform in a cost-effective manner;
- invest in the growth of our business while adjusting our cost structure to focus on operating efficiency and improved margins;
- successfully develop a substantial customer and sales pipeline for our products;
- expand the features and functionality of our offerings to enable additional use cases for our customers;
- continue investing in our sales and marketing function to support our growth and reduce the time for new sales personnel to achieve desired productivity levels;
- extend our product leadership to expand our addressable market;
- differentiate our offerings from open source alternatives and products offered by our competitors;
- maintain and expand the rates at which new customers purchase and existing customers renew subscriptions and committed use of our offerings and increase consumption of our offerings, including in light of the evolving macroeconomic environment;

- provide our customers with support that meets their needs;
- expand our partner ecosystem, including with major cloud providers, independent software vendors (ISVs), regional and global systems integrators, and original equipment manufacturers (OEMs);
- increase awareness of our brand on a global basis to successfully compete with other companies; and
- expand to new international markets and grow within existing markets.

We may not successfully accomplish any of these objectives, and as a result, it is difficult for us to forecast our future results of operations. If the assumptions that we use to plan our business are incorrect or change in reaction to changes in our market, or if we are unable to maintain consistent revenue or revenue growth, our stock price could be volatile, and it may be difficult to achieve and maintain profitability. As a result of our rapid revenue growth in prior periods, we expect our revenue growth rate to decline in future periods. You should not rely on our revenue for any prior quarterly or annual periods as any indication of our future revenue or revenue growth.

In addition, we expect to continue to expend substantial financial and other resources on:

- expansion and enablement of our sales, services, and marketing organization to increase brand awareness and drive adoption and consumption of our offerings;
- product development, including investments in our product development team and the development of new products and new features and functionality for our offerings to expand use cases and provide feature parity across third-party public cloud platforms, as well as investments in further differentiating our existing offerings;
- our cloud infrastructure technology, including systems architecture, scalability, availability, performance, and security;
- technology and sales channel partnerships, including cloud marketplaces;
- international expansion;
- acquisitions or strategic investments; and
- general administration, including increased legal and accounting expenses associated with being a public company.

These investments may not result in increased revenue in our business. If we are unable to maintain or increase our revenue at a rate sufficient to offset the expected increase in our costs, our business, financial position and results of operations will be harmed, and we may not be able to achieve or maintain profitability. Additionally, we may encounter unforeseen operating expenses, difficulties, complications, delays, and other unknown factors that may result in losses in future periods. If our revenue does not meet our expectations in future periods, our business, financial position, and results of operations may be harmed.

We have a history of operating losses and may not achieve or sustain profitability in the future.

We have experienced net losses in each period since inception. We generated a net loss of \$345.1 million, \$442.7 million, and \$452.6 million for the years ended December 31, 2024, 2023, and 2022, respectively. As of December 31, 2024, we had an accumulated deficit of \$1,989.2 million. While we have experienced significant revenue growth in certain recent periods, we are not certain whether or when we will obtain or maintain a high enough volume of sales or level of market acceptance to achieve or maintain profitability in the future. Our revenue growth rate has declined, and may continue to decline for a number of reasons, particularly during times of macroeconomic uncertainty, resulting in a more challenging environment for acquiring new customers and maintaining existing customers. We also expect our costs and expenses to increase in future periods, which could negatively affect our future results of operations if our revenue does not increase. In particular, we intend to continue to expend significant funds to further develop our offerings, including by introducing new offerings and features and functionality, and to expand our sales, marketing, and services teams to drive new customer adoption and consumption, expand the use and consumption of our offerings by existing customers, support international expansion, and implement additional systems and processes to effectively scale operations. Also, we have faced, and will continue to face, increased compliance costs associated with growth, the planned expansion of our customer base and pipeline, international expansion, and being a public company. In addition, Confluent Cloud operates on public cloud infrastructure provided by third-party vendors, and our costs and gross margins are significantly influenced by the prices we are able to negotiate with these public cloud providers, which in many cases are also our competitors. As the percentage of our revenue attributable to Confluent Cloud continues to increase, we have incurred and expect to incur increased costs related to our public cloud contracts, which negatively impacts our gross margins. Our efforts to grow our business may be costlier than we expect, or the rate of our growth in revenue may be slower than we expect, and we may not be able to increase our revenue enough to offset our increased operating expenses. In addition, our efforts and investments to implement systems and processes to scale operations may not be sufficient or may not be appropriately executed. As a result, we may incur significant losses in the future for a number of reasons, including the other risks described herein, and unforeseen expenses, difficulties, complications or delays, and other unknown events. If we are unable to achieve and sustain profitability, the value of our business and Class A common stock may significantly decrease.

We have a limited operating history, which makes it difficult to forecast our future results of operations.

We were founded in 2014. As a result of our limited operating history, our ability to accurately forecast our future results of operations is limited and subject to a number of uncertainties, including our ability to plan for and model future growth. Our historical revenue growth should not be considered indicative of our future performance. In particular, we have limited experience operating our business at current scale under economic conditions characterized by high inflation or in recessionary or uncertain economic environments. Further, we have experienced, and in future periods may continue to experience, slower revenue growth, and our revenue could decline for a number of reasons, including shifts in our offerings and revenue mix, slowing demand for our offerings, increasing competition, decreased productivity of our sales and marketing organization and effectiveness of our sales and marketing efforts to acquire new customers, retain existing customers or expand existing subscriptions and consumption of our usage-based offerings, strategic focus on operating efficiencies and margin improvements, changing technology, a decrease in the growth of our overall market, our failure, for any reason, to continue to take advantage of growth opportunities, or our failure to adapt and respond to inflationary factors affecting our business or future economic recessions. We have also encountered, and will continue to encounter, risks and uncertainties frequently experienced by growing companies in rapidly changing industries, such as the risks and uncertainties described in this Annual Report. If our assumptions regarding these risks and uncertainties and our future revenue growth are incorrect or change, or if we do not address these risks successfully, our operating and financial results could differ materially from our expectations, and our business could suffer.

Macroeconomic uncertainty, unfavorable conditions in our industry or the global economy, including those caused by the ongoing conflicts around the world, reductions in information technology spending, or inflation, have impacted and may continue to impact our ability to grow our business and negatively affect our results of operations.

Global business activities face widespread macroeconomic uncertainties, and our results of operations may vary based on the impact of changes in our industry or the global economy on us or our customers and potential customers. Negative conditions in the general economy both in the United States and abroad, including conditions resulting from changes in gross domestic product growth, financial and credit market fluctuations, inflation and efforts to control further inflation, including high interest rates, bank failures, international trade relations, political turmoil, potential U.S. federal government shutdowns, natural catastrophes, warfare, and terrorist attacks on the United States, Europe, the Asia Pacific region, including Japan, or elsewhere, could cause a decrease in business investments by existing or potential customers, including spending on information technology, and negatively affect the growth of our business. As an example, in the United States, capital markets have experienced and continue to experience volatility and disruption. Furthermore, high inflation rates in the United States have in the past, and could in the future, result in federal action to increase interest rates, affecting capital markets. In addition to the foregoing, adverse developments that affect financial institutions, transactional counterparties or other third parties, such as bank failures, or concerns or speculation about any similar events or risks, could lead to market-wide liquidity problems, which in turn may cause third parties, including customers, to become unable to meet their obligations under various types of financial arrangements as well as general disruptions or instability in the financial markets. Such economic volatility has adversely affected and may continue to adversely affect our business, financial condition, results of operations and cash flows, and future market disruptions could negatively impact us. In particular, we have experienced and expect to continue to experience longer sales cycles, reduced IT budgets, slowdowns in customer consumption expansion and growth rates, including fewer new use cases adopted by customers, lower consumption from some of our larger enterprise customers, and generally increased scrutiny on IT spending and budgets from existing and potential customers, due in part to the effects of macroeconomic uncertainty and challenges and the geopolitical situation in Ukraine and in the Middle East. We have operations and customers in Israel, and many of our customers in other regions have substantial operations and customers in Israel. We believe the uncertainty and disruption resulting from the conflict has negatively impacted certain of these customers and their consumption of our offerings. Our growth, business, and results of operations could be further negatively impacted if the current armed conflict in the Middle East continues, worsens or expands to other nations or regions, including if our customers are harmed and reduce their engagement with or consumption of Confluent. Actual or potential U.S. federal government shutdowns have also resulted in uncertainty and disruption for certain of our customers, which have negatively impacted and may continue to negatively impact their consumption of our offerings. These customer dynamics may persist in the future, even if macroeconomic conditions improve, and to the extent there is a sustained general economic downturn, a recession, or other period when IT budgets are growing at a slower rate or contracting growth, these customer dynamics may be exacerbated. These customer dynamics have had and may continue to have negative impacts on our revenue, business, and results of operations and have resulted and may in the future result in strategic changes in our focus on growth versus operating efficiency, margin improvements, and profitability. Competitors, many of whom are larger and have greater financial resources than we do, may respond to challenging market conditions by lowering prices in an attempt to attract our customers, which may require us to respond in kind and may negatively impact our existing customer relationships and new customer acquisition strategy. In addition, the increased pace of consolidation in certain industries may result in reduced overall spending on our offerings. We cannot predict the timing, strength, or duration of any economic slowdown, instability, or recovery, generally or within any particular industry.

Failure of our offerings to satisfy customer demands or achieve continued market acceptance over competitors, including open source alternatives, would harm our business, results of operations, financial condition, and growth prospects.

We derive and expect to continue to derive substantially all of our revenue from sales of, and additional services related to, our offerings. We have directed, and intend to continue to direct, a significant portion of our financial and operating resources to developing more features and functionality for our Data Streaming Platform, which delivers four key capabilities, stream, connect, process, and govern, that reinforce each other to create a comprehensive platform for data in motion. For example, we acquired WarpStream Labs, Inc., or WarpStream, in September 2024, a bring-your-own-cloud, or BYOC, managed service offering where the raw data resides inside a customer's own cloud environment. Our growth will depend in large part on enabling additional use cases for our customers after they initially adopt our offerings, ranging from industry-specific use cases, including generative AI, or GenAI, use cases, to use cases generated by the network effects of connecting multiple applications within an enterprise. While we have recently expanded on the capabilities of our Data Streaming Platform, enabling customers to stream, connect, process, and govern their data, our future growth is dependent on continued customer expansion of these and additional capabilities and use cases for our Data Streaming Platform. In addition, the success of our business is substantially dependent on the actual and perceived viability, benefits, and advantages of our offerings as a preferred data streaming platform, particularly when compared to open source alternatives developed internally by customers. As such, market adoption of our offerings is critical to our continued success. Demand for our offerings has been and will continue to be affected by a number of factors, including market acceptance of our offerings, customers' perception of the value of our offerings compared to alternatives, including open source alternatives, customers' understanding of the potential benefits and cost impacts from our Data Streaming Platform and related features and functionalities, use case expansion by existing customers and potential new customers, effectiveness of our sales and marketing strategy and team, the extension of our offerings to new applications and use cases, the timing of development and release of new offerings by us and our competitors, technological change, growth or contraction of the market in which we compete, customers focusing on cloud cost efficiencies and prioritizing cash flow management, and customer information technology spending budgets, which may be reduced during periods of high inflation or in recessionary or uncertain economic environments and may be impacted by geopolitical events such as the ongoing conflicts around the world. Failure to successfully address these factors, satisfy customer demands, achieve continued market acceptance over competitors, including open source alternatives, and achieve growth in sales of our offerings would harm our business, results of operations, financial condition, and growth prospects.

We intend to continue investing significantly in Confluent Cloud, our DSP capabilities and our BYOC offering, and if these fail to achieve further market adoption or increased consumption, our growth, business, results of operations, and financial condition could be harmed.

We intend to continue investing significantly in developing and growing Confluent Cloud as a fully-managed, cloud-native service. We have less experience marketing, determining pricing for, and selling Confluent Cloud. As a result, our shifts in sales strategy focused on customer acquisition for Confluent Cloud and a consumption-oriented sales model have resulted and could continue to result in near term fluctuations in our financial results as compared to prior periods, particularly if previous Confluent Platform customers shift to Confluent Cloud, given that subscriptions to Confluent Cloud have historically had a lower average price compared to subscriptions to Confluent Platform. Our sales strategy for Confluent Cloud also involves landing customers at low entry points, including starting with our free Confluent Cloud trial and with pay-as-you-go, which have no commitments. There can be no assurance that such free users will enter into commitments with us, or that customers will expand their existing commitments or ramp their usage of Confluent Cloud, even following our shift in our sales strategy to a consumption-oriented model. In addition, there can be no assurance as to the length of time required to attain substantial market adoption of Confluent Cloud, if at all.

We also have limited experience marketing and selling our DSP capabilities and our BYOC offering. We expect our future growth to depend substantially on continued customer adoption and use of these capabilities and offerings, including as we continue to introduce additional features, functionalities, and use cases for such capabilities and offerings. In particular, the growth in adoption and usage of such capabilities and offerings will depend on, among other things, our ability to increase their market acceptance, improve customer understanding of their full benefits and potential uses cases, cost-effectively manage customers' adoption and usage journey, including managing customer optimization, and ensure customers realize benefits in total cost of ownership relating to these capabilities and offerings. We may experience fluctuations in our growth from time to time due to these and other factors impacting the adoption and usage of our DSP capabilities and BYOC offering.

The growth rate of our Confluent Cloud revenue is also expected to fluctuate over time, including due to the usage-based nature of Confluent Cloud, customer adoption trends, and our shift to a consumption-oriented sales model for Confluent Cloud. Additionally, due in part to our shift to a consumption-oriented sales model, new customers acquired in 2024 tended to have lower initial consumption, which negatively impacted and may continue to negatively impact our revenue, growth rates, consumption forecasts, and results of operations. The ongoing success of this shift will depend on, among other things, alignment of and effective execution by our sales organization, timely release of features in our product roadmaps as well as their market acceptance, effective pricing of our offerings, and managing expected reductions in commitments for Confluent Cloud. We also believe certain customers are reluctant to make large and long-term commitments for Confluent Cloud, which has led to historical misalignment between our focus on upfront commitments and customer preferences and was a factor in the shift in our sales strategy to a consumption-oriented sales model. Growth of Confluent Cloud consumption may be harmed if we do not manage these factors effectively following the shift of our sales model to be oriented toward consumption. Our business and growth will also be negatively impacted if we do not experience the expected benefits from our shift to a consumption-oriented sales model following its implementation, including if we continue experiencing headwinds on consumption, use case expansion or adoption of Confluent Cloud due to other factors. To expand usage of and our potential customer and sales pipeline for Confluent Cloud, we will need to increase brand awareness, increase customer awareness and adoption of our Data Streaming Platform, successfully demonstrate the value of Confluent Cloud over alternatives, including open source alternatives, successfully partner with customers to help them realize increased value in our offerings in an efficient and sustainable manner for consumption expansion over time, particularly in uncertain macroeconomic environments and with continuing customer focus on cloud cost controls and increased efficiency, cultivate relationships with potential customers in key industries and sectors, rapidly convert the sales pipeline into new customers and continue to expand and improve the productivity and incentive alignment of our sales and marketing organization. Continuing consumption volatility, including due to customer focus on cloud cost controls and increased efficiency, and our efforts in response will likely result in reduced consumption expansion over the near term.

We target small to medium-sized companies, including early-stage companies, as part of our overall sales and marketing strategy for Confluent Cloud. These customers typically demand faster deployment of Confluent Cloud within their organizations and prioritize ease of use. In addition, the sales cycle for these customers is typically shorter, requiring accelerated ramp time of our sales force and higher velocity marketing strategies. We have also historically targeted larger enterprise customers as part of our overall sales and marketing strategy, but expect to refine that strategy from time to time, including in connection with our shift to a consumption-oriented model for our sales motion. Reduced consumption by, or the loss or expected loss of, certain customers has historically negatively impacted and may continue to negatively impact our growth, business, results of operations, and financial condition. For example, Confluent Cloud consumption and growth, as well as our forecasts for Confluent Cloud, have been negatively impacted from time to time, and may be negatively impacted in the future, by lower than expected consumption from larger enterprise customers from time to time, including due to external factors such as continued scrutiny of IT spending and macroeconomic uncertainty as well as reorganizations, acquisitions, or strategic reprioritizations of such customers. If we are unsuccessful in these and our other efforts to drive market adoption of and expand usage of and the customer base for Confluent Cloud, or if we do so in a way that is not profitable, fails to compete successfully against our current or future competitors, or fails to adequately differentiate Confluent Cloud from open source alternatives, our growth, business, results of operations, and financial condition could be harmed.

We have historically derived a substantial portion of our revenue from Confluent Platform, and any loss in market acceptance or reduction in sales of Confluent Platform would harm our business, results of operations, financial condition, and growth prospects.

While our revenue mix has increasingly shifted toward Confluent Cloud, our business remains substantially dependent on Confluent Platform, our enterprise-ready, self-managed software offering. Confluent Platform contributed 47% and 52% of our subscription revenue for the years ended December 31, 2024 and 2023, respectively. We expect to continue to rely on customer adoption and expansion of Confluent Platform as a component of our future growth. In particular, we are dependent on Confluent Platform serving as a fundamental self-managed, data-in-motion offering to generate wide-ranging use cases for our customers and increase our dollar-based net retention rate with existing customers. If we experience loss in market acceptance, reduced customer renewals or new customer adoption, or limited use case expansion among existing customers of Confluent Platform, our growth, business, financial condition, and results of operations may be harmed.

We may not be able to successfully manage our growth, and if we are not able to grow efficiently, our business, financial condition, and results of operations could be harmed.

As usage and adoption of our offerings grow, we will need to devote additional resources to improving our offerings' capabilities, features, and functionality. In addition, we will need to appropriately scale our internal business operations and our services organization to serve our growing customer base. Any failure of or delay in these efforts could result in impaired product performance and reduced customer satisfaction, resulting in decreased sales to new customers, lower dollar-based net retention rates, or the issuance of service credits or requested refunds, which would hurt our revenue growth and our reputation. Further, any failure in optimizing the costs associated with our third-party cloud services as we scale could negatively impact our gross margins. Our expansion efforts will be expensive and complex, and require the dedication of significant management time and attention. We could also face inefficiencies, vulnerabilities or service disruptions as a result of our efforts to scale our internal infrastructure, which may result in extended outages, loss of customer trust, and harm to our reputation. We cannot be sure that the expansion of and improvements to our internal infrastructure will be effectively implemented on a timely basis, if at all, and such failures could harm our business, financial condition, and results of operations.

The markets in which we participate are competitive, and if we do not compete effectively, our business, financial condition, and results of operations could be harmed.

Our Data Streaming Platform combines and expands upon functionality from numerous traditional product categories, and hence we compete in each of these categories with products from a number of different vendors. Our primary competition, especially on-premise, is internal IT teams that develop data infrastructure software using open source software, including Apache Kafka. Our principal competitors in the cloud are the well-established public cloud providers that compete in their respective clouds. These enterprises are developing and have released fully-managed data ingestion and data streaming products, such as Azure Event Hubs (Microsoft Corporation), Amazon Managed Streaming for Apache Kafka, Amazon Kinesis, and Amazon Managed Service for Apache Flink (AWS), and Google Cloud Pub/Sub, Cloud Managed Service for Apache Kafka, and BigQuery Engine for Apache Flink (Google). On premise, there are a number of vendors with legacy products that have pivoted into this space including TIBCO Streaming, Cloudera Dataflow, Red Hat (IBM), AMQ Streams, and Oracle Cloud Infrastructure Streaming.

We currently offer Confluent Cloud on the public clouds provided by AWS, Azure, and GCP, which are also some of our primary actual and potential competitors. There is risk that one or more of these public cloud providers could use their respective control of their public clouds to embed innovations or privileged interoperating capabilities in competing products, bundle competing products, provide us unfavorable pricing, leverage their public cloud customer relationships to exclude us from opportunities, and treat us and our customers differently with respect to terms and conditions or regulatory requirements compared to similarly situated customers. In addition, if public cloud providers develop a data-in-motion offering that operates across multiple public clouds or on premise, we would face increased competition from these providers. Further, they have the resources to acquire or partner with existing and emerging providers of competing technologies and thereby accelerate adoption of those competing technologies. All of the foregoing could make it difficult or impossible for us to provide subscriptions and services that compete favorably with those of the public cloud providers.

With the introduction of new technologies, market entrants, and open source alternatives, including those based on Apache Kafka, we expect that the competitive environment will remain intense going forward. Because Apache Kafka is open source and there are few technological barriers to entry into the open source market, it may be relatively easier for competitors, some of which may have greater resources than we have, to enter our markets and develop data-in-motion alternatives based on Apache Kafka. In addition, the data infrastructure market is large and continues to grow rapidly, and our future success will depend in part on differentiating our offerings from open source alternatives, including Apache Kafka, and other data-in-motion offerings. If we are unable to sufficiently differentiate our offerings from Apache Kafka, other offerings based on or derived from Apache Kafka, or other data-in-motion offerings, we may not be successful in achieving market acceptance of our offerings, which would limit our growth and future revenue. Some existing and prospective customers may elect to use certain of our data-in-motion platform functions under free-to-use licenses, which can reduce demand for our offerings. Such existing or prospective customers may also have reservations about utilizing proprietary software like our offerings and may instead opt to use solely open source software based on the perception that this will lower long-term costs and reduce dependence on third-party vendors. In addition, our existing customers have chosen or could in the future choose to develop similar capabilities in-house and strengthen their use of open source software, rather than continue to purchase our offerings.

Some of our actual and potential competitors have been acquired by other larger enterprises and have made or may make acquisitions or may enter into partnerships or other strategic relationships that may provide more comprehensive offerings than they individually had offered or achieve greater economies of scale than us. Any trend toward industry consolidation may negatively impact our ability to successfully compete and may impose pressure on us to engage in similar strategic transactions, including acquisitions, which would be costly and may divert management's attention. In addition, new entrants not currently considered to be competitors may enter the market through acquisitions, partnerships, or strategic relationships. As we look to market and sell our offerings and platform capabilities to potential customers with existing solutions, we must convince their internal stakeholders that the capabilities of our offerings are superior to their current solutions.

We compete on the basis of a number of factors, including:

- ease of deployment, integration, and use;
- enterprise-grade data in motion;
- the cloud-native capabilities of our offerings;
- the ability to operate at scale and offer elasticity, end-to-end security, and reliability;
- the completeness of our offerings, including as a complete Data Streaming Platform, and our ability to offer unified and scalable stream processing, integrated governance capabilities for higher data quality, and connectors to existing applications and IT and cloud infrastructure;
- the availability of our offerings, including in multiple public clouds, for use in private clouds, in on-premises data centers, and customers' own cloud environments;
- quality of professional services and customer support;
- price and total cost of ownership;
- flexible pricing, such as pay-as-you-go delivery;
- sales and marketing productivity and expertise;
- brand recognition and reputation; and

- adherence to industry standards and certifications.

Our competitors vary in size and in the breadth and scope of the products offered. Many of our competitors and potential competitors have greater name recognition, longer operating histories, more established customer relationships and installed customer bases, larger marketing budgets and greater resources than we do. Further, other potential competitors not currently offering competitive solutions may expand their offerings to compete with our existing and new offerings and platform capabilities. Additionally, our current and potential competitors may establish cooperative relationships among themselves or with third parties that may further enhance their resources and offerings in our addressable market. Our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards, and customer requirements. An existing competitor or new entrant could introduce new technology that reduces demand for our offerings. In addition to product and technology competition, we face pricing competition. Some of our competitors offer their solutions at a lower price, which has resulted in, and may continue to result in, pricing pressures.

For all of these reasons, we may not be able to compete successfully against our current or future competitors, and this competition could result in the failure of our offerings to continue to achieve or maintain market acceptance, any of which would harm our business, results of operations, and financial condition.

We expect fluctuations in our financial results and key metrics, making it difficult to project future results, and if we fail to meet the expectations of securities analysts or investors with respect to our results of operations, our stock price and the value of your investment could decline.

Our results of operations and key metrics, including subscription revenue, NRR and customers with \$100,000 or greater in ARR, have fluctuated in the past and are expected to fluctuate in the future due to a variety of factors, many of which are outside of our control. As a result, our past results may not be indicative of our future performance and period-over-period comparisons of our operating results and key metrics may not be meaningful or accurately measure our business. In addition to the other risks described herein, factors that have in the past and may in the future affect our results of operations include the following:

- changes in our revenue mix as Confluent Cloud's contribution to subscription revenue increases over time, and related changes in revenue recognition;
- changes in actual and anticipated growth rates of our revenue, customers, and key business metrics, including due to changes in methodology for calculating certain of our key business metrics;
- strategic shifts in focus on growth versus operating efficiency and profitability;
- fluctuations in demand for, and our ability to effectively and competitively price, our offerings;
- fluctuations in usage of Confluent Cloud under usage-based commitments and pay-as-you-go arrangements;
- our ability to attract new customers;
- our ability to retain our existing customers, particularly large customers, secure renewals of subscriptions and usage-based commitments, as well as the timing of customer renewals or non-renewals, and drive their increased consumption of Confluent Cloud;
- customer retention rates and the pricing and quantity of subscriptions renewed, as well as our ability to accurately forecast customer consumption, expansions, and renewals;
- downgrades in customer subscriptions or decreased consumption;
- customers and potential customers opting for alternative products, including developing their own in-house solutions or opting to use only the free version of our offerings;
- timing and amount of our investments to expand the capacity of our third-party cloud service providers;
- seasonality in sales, customer implementations, and results of operations (including Confluent Cloud revenue);
- investments in new offerings, features, and functionality;
- fluctuations or delays in development, release, or adoption of new features and functionality for our offerings;

- delays in closing sales, including the timing of renewals, which may result in revenue being pushed into the next quarter, particularly because a large portion of our sales occur toward the end of each quarter;
- fluctuations or delays in purchasing decisions by existing or future customers, including due to geopolitical or economic conditions such as inflation or in anticipation of new offerings or enhancements by us or our competitors;
- changes in customers' budgets, consumption, and timing of their budget cycles and purchasing decisions, including due to macroeconomic factors and currency exchange rate fluctuations;
- our ability to control costs, including hosting costs associated with Confluent Cloud and our operating expenses;
- the amount and timing of payment for operating expenses, particularly research and development and sales and marketing expenses, including commissions;
- timing of hiring personnel for our research and development and sales and marketing organizations;
- the amount and timing of non-cash expenses, including stock-based compensation expense and other non-cash charges;
- the amount and timing of costs associated with recruiting, educating, and integrating new employees and retaining and motivating existing employees;
- the effects of acquisitions and their integration, including our acquisition of WarpStream;
- general geopolitical or economic conditions, both domestically and internationally, as well as economic conditions specifically affecting industries in which our customers participate;
- fluctuations in foreign currency exchange rates;
- the impact of new accounting pronouncements;
- changes in revenue recognition policies that impact our subscriptions and services revenue;
- changes in regulatory or legal environments that may cause us to incur, among other things, expenses associated with compliance;
- the impact of changes in tax laws or judicial or regulatory interpretations of tax laws, which are recorded in the period such laws are enacted or interpretations are issued and may significantly affect the effective tax rate of that period;
- health epidemics or pandemics, such as the COVID-19 pandemic;
- changes in the competitive dynamics of our market, including consolidation among competitors or customers; and
- significant security breaches of, technical difficulties with, or interruptions to, the delivery and use of our offerings.

The calculation methodology of our key metrics, including adjustments in methodologies from time to time, may also result in fluctuations in period-over-period results that may not be indicative of our long-term performance or that result in differing interpretations of trends in our business. For example, we calculate ARR with respect to Confluent Cloud customers by annualizing actual consumption of Confluent Cloud in the last three months of the applicable period. See the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Key Business Metrics.” While we believe this ARR methodology aligns with how our management assesses ARR internally and better reflects actual customer behavior compared to other methodologies, it assumes Confluent Cloud consumption trends over 12-month periods based on three months of actual consumption, which does not account for future fluctuations and unpredictability in consumption rates (which we have experienced in recent periods and expect to continue to experience) or reflect trends in the growth or contraction of subscriptions over time. Further, we have experienced fluctuations in NRR and, as Confluent Cloud’s contribution to our revenue continues to increase, we expect to continue to experience increased volatility in NRR as our customers’ consumption trends may vary significantly across quarters for various reasons, including due to periodic customer focus on IT spend and usage efficiencies, uncertainty in expected consumption ramp of a customer, our prioritization of consumption over commitment for Confluent Cloud, and pricing of Confluent Cloud, as well as external factors such as macroeconomic uncertainty and its effects on customers’ IT spending and customers’ organizational and business changes. As a result, our short-term NRR trends may be less indicative of longer-term timing and pace of Confluent Cloud customer expansion.

Because our customers have flexibility in the timing of their consumption of Confluent Cloud, we will have less visibility into the timing of revenue recognition compared to a subscription-based model. For example, we have experienced customers preferring a usage-based arrangement for consuming Confluent Cloud versus large upfront commitments, which has been driven in part by uncertain macroeconomic and geopolitical conditions. If we experience fluctuations in customer consumption, our actual results may differ from our forecasts, and our business, financial condition, and results of operations could be adversely affected.

Any of these and other factors, or the cumulative effect of some of these factors, may cause our results of operations to vary significantly. If our quarterly results of operations fall below the expectations of investors and securities analysts who follow our stock, the price of our Class A common stock could decline substantially, and we could face costly lawsuits, including securities class action suits.

Our revenue mix may result in fluctuations in our results across periods, making it difficult to assess our future growth.

Our revenue mix is varied based on the revenue recognition principles applicable to our offerings. We recognize a portion of revenue from sales of subscriptions to Confluent Platform up front when our term-based license is delivered. The remainder, constituting post-contract customer support, maintenance, and upgrades, referred to together as PCS, comprises the substantial majority of the revenue and is recognized ratably over the subscription term. Confluent Cloud and WarpStream customers may purchase subscriptions either without a commitment contract, which we refer to as pay-as-you-go, or on a usage-based commitment contract of at least one year in duration. Pay-as-you-go customers are billed, and revenue from them is recognized, based on usage. Customers with usage-based commitments are billed annually in advance or monthly in arrears, and we recognize revenue from such subscriptions based on usage by the customer. Historically, our Confluent Cloud sales have been individually smaller, with varied usage levels from such customers over time, which may continue as we target small to medium-sized companies as part of our sales strategy for Confluent Cloud. However, larger Confluent Cloud sales, including those with terms over one year, may also result in greater variations in usage levels due to the timing and size of those commitments. In addition, we have experienced and expect to continue to experience an increased contribution from Confluent Cloud to our revenue mix. Macroeconomic impacts have caused, and may continue to cause, longer sales cycles compared to prior periods. We have also experienced continuing Confluent Cloud consumption volatility from larger enterprise customers. As a result, there may be fluctuations in revenue period over period as revenue is dependent on varying patterns of customer consumption and timing of sales and renewals of Confluent Platform, which can result in larger upfront revenue recognition upon delivery of the term-based licenses, as well as revenue mix. In addition, we may experience fluctuations in margins as a result of high cloud infrastructure costs resulting from increased Confluent Cloud sales. Future fluctuations in our revenue and results across periods, including due to further changes in our revenue mix, may make it difficult to assess our future growth and performance.

Downturns or upturns in our sales may not be immediately reflected in our financial position and results of operations.

We recognize a significant portion of our revenue ratably over the term of Confluent Platform subscriptions. As a result, any decreases in new subscriptions or renewals in any one period may not immediately be fully reflected as a decrease in revenue for that period but would negatively affect our revenue in future quarters, even though such a decrease would be reflected in certain of our metrics as of the end of such period. This also makes it difficult for us to rapidly increase our revenue through the sale of additional subscriptions in any period, as revenue is recognized over the term of the subscription. In addition, fluctuations in usage under our usage-based offerings or monthly subscriptions for our pay-as-you-go offerings could affect our revenue on a period-over-period basis. If our quarterly results of operations fall below the expectations of investors and securities analysts who follow our stock, the price of our Class A common stock would decline substantially, and we could face costly lawsuits, including securities class actions.

If we fail to adapt and respond effectively to rapidly changing technology, evolving industry standards, changing regulations, or to changing customer needs, requirements, or preferences, our offerings may become less competitive.

Our ability to attract new users and customers and increase revenue from existing customers depends in large part on our ability to enhance, improve, and differentiate our existing offerings, increase adoption and usage of our offerings, and introduce new offerings and capabilities. The market in which we compete is relatively new and subject to rapid technological change, evolving industry standards, and changing regulations, as well as changing customer needs, requirements, and preferences. The success of our business will depend, in part, on our ability to adapt and respond effectively to these changes on a timely basis. Because the market for our offerings is relatively new, it is difficult to predict customer adoption, increased customer usage and demand for our offerings, the size and growth rate of this market, the entry of competitive products, or the success of existing competitive products. If we are unable to enhance our offerings and keep pace with rapid technological change, or if new technologies emerge that are able to deliver competitive products at lower prices, more efficiently, more conveniently or more securely than our offerings, our business, financial condition, and results of operations could be adversely affected.

To remain competitive, we need to continuously modify and enhance our offerings to adapt to changes and innovation in existing and new technologies. We expect that we will need to continue to differentiate our Data Streaming Platform capabilities, as well as expand and enhance our platform to support a variety of adjacent use cases. This development effort will require significant engineering, sales, and marketing resources. For instance, with the increasing prominence of new technology like artificial intelligence, we may be required to commit significant resources to developing new products, capabilities and features. Customer adoption of our products, capabilities, or features may also lag our investments as customers scrutinize their spend relating to these technologies. Any failure to effectively offer solutions for these adjacent use cases could reduce customer demand for our offerings. Further, our offerings must also integrate with a variety of network, hardware, mobile, cloud, and software platforms and technologies, and we need to continuously modify and enhance our offerings to adapt to changes and innovation in these technologies. This development effort may require significant investment in engineering, support, marketing, and sales resources, all of which would affect our business and results of operations. Any failure of our offerings to operate effectively with widely adopted, future data infrastructure platforms, applications, and technologies would reduce the demand for our offerings. In addition, the landscape of data and infrastructure will be impacted by the adoption of artificial intelligence in ways that are currently unforeseeable and that could have significant risks and opportunities for our business. If we are unable to respond to evolving customer needs, requirements, or preferences in a cost-effective manner, our offerings may become less marketable and less competitive or obsolete, and our business, financial condition, and results of operations could be adversely affected.

The market for our offerings may develop more slowly or differently than we expect.

It is difficult to predict customer adoption rates, consumption, and demand for our offerings, the entry of competitive products or the future growth rate and size of the data infrastructure market. The expansion of this market depends on a number of factors, including the cost, performance, and perceived value associated with data infrastructure platforms as an alternative or supplement to legacy systems such as traditional databases, as well as the ability of platforms for data in motion to address heightened data privacy and security concerns. If we have a security incident or third-party cloud service providers experience security incidents, loss of customer data, disruptions in delivery or other similar problems, which is an increasing focus of the public and investors in recent years, the market for products as a whole, including our offerings, may be negatively affected. In addition, many of our potential customers have made significant investments in alternative data infrastructure platforms and may be unwilling to invest in new products, such as our offerings. If data-in-motion technology does not achieve market acceptance, including from rapidly evolving markets or industries, such as GenAI, or there is a reduction in consumption or demand caused by a lack of customer acceptance, technological challenges, economic conditions, data privacy and security concerns, governmental regulation, competing technologies and products, decreases in information technology spending or otherwise, the market for our offerings might not continue to develop or might develop more slowly than we expect, which would adversely affect our business, financial condition, and results of operations. Additionally, while the adoption of generative AI and event-driven autonomous agents may drive future growth in our business, particularly with respect to our Data Streaming Platform capabilities, worldwide markets for generative AI applications may not develop in the manner we anticipate, or at all. In addition, because the markets for generative AI applications are still emerging, demand for our offerings in these markets may be unpredictable.

The competitive position of our offerings depends in part on their ability to operate with third-party products and services, including those of our partners, and if we are not successful in maintaining and expanding the compatibility of our offerings with such products and services, our business may be harmed.

The competitive position of our offerings depends in part on their ability to operate with products and services of third parties, including software companies, software services, and infrastructure, and our offerings must be continuously modified and enhanced to adapt to changes in hardware, software, networking, browser, and database technologies. In the future, one or more technology companies, whether our partners or otherwise, may choose not to support the operation of their software, software services, and infrastructure with our offerings, or our offerings may not support the capabilities needed to operate with such software, software services, and infrastructure. In addition, to the extent that a third party were to develop software or services that compete with ours, that provider may choose not to support our offerings. We intend to facilitate the compatibility of our offerings with various third-party software, software services, and infrastructure offerings by maintaining and expanding our business and technical relationships. If we are not successful in achieving this goal, our business, financial condition, and results of operations may be harmed.

If we are unable to successfully manage the growth of our professional services business and improve our margins from these services, our business, financial condition, and results of operations will be harmed.

Our professional services business, which engages with customers to help them in their strategy, architecture, and adoption of a data streaming platform, has grown as we have scaled our business. We believe our investment in professional services facilitates the adoption of our offerings, especially with larger customers. As a result, our sales efforts have focused on marketing our offerings to larger customers, rather than the profitability of our professional services business. If we are unable to successfully manage the growth of this business and improve our profit margin from these services, our business, financial condition, and results of operations will be harmed.

We face risks associated with the growth of our business with certain heavily regulated industry verticals.

We market and sell our offerings to customers in heavily regulated industry verticals, including the banking and financial services industries. As a result, we face additional regulatory scrutiny, risks, and burdens from the governmental entities and agencies which regulate those industries. Selling to and supporting customers in heavily regulated verticals and expanding in those verticals will continue to require significant resources, and there is no guarantee that such efforts will be successful or beneficial to us. If we are unable to successfully maintain or expand our market share in such verticals, or cost-effectively comply with governmental and regulatory requirements applicable to our activities with customers in such verticals, our business, financial condition, and results of operations may be harmed.

Seasonality may cause fluctuations in our sales and results of operations.

Historically, we have experienced seasonality in new customer bookings, as we typically sell a higher percentage of subscriptions to new customers and renewal subscriptions with existing customers in the fourth quarter of the year. We believe that this results from the procurement, budgeting and deployment cycles of many of our customers, particularly our enterprise customers. We expect that this seasonality will continue to affect our bookings and results of operations in the future and might become more pronounced as we continue to target larger enterprise customers.

Sales to government entities are subject to a number of challenges and risks.

We sell to U.S. Federal, state, and local government customers, as well as foreign and governmental agency customers, generally through resellers. Sales to such entities, whether direct or indirect, are subject to a number of challenges and risks. Selling to such entities can be highly competitive, expensive, and time-consuming, often requiring significant upfront time and expense without any assurance that these efforts will generate a sale. Contracting with government entities (or higher-tier contractors to such entities) requires additional compliance from us and our offerings, including with contractual requirements, regulations, and Executive Orders; compliance with such requirements may require us to change certain of our operations and involve significant effort and expense, which could harm our margins, business, financial condition, and results of operations. If we fail to achieve compliance with these standards and requirements, we may be disqualified from selling our offerings to such governmental entities, or be at a competitive disadvantage, which would harm our business, operating results, and financial condition. Government contracting requirements may also change and in doing so restrict our ability to sell into the government sector until we have complied with such requirements. Further, achieving and maintaining certain government certifications, such as U.S. Federal Risk and Authorization Management Program (FedRAMP) authorization for Confluent Cloud, may require significant upfront cost, time, and resources. If we do not obtain U.S. FedRAMP authorization for Confluent Cloud, we will not be able to sell Confluent Cloud, directly or indirectly, to certain Federal government and other public sector customers as well as private sector customers that require such certification for their intended use cases, which could harm our growth, business, and results of operations. This may also harm our competitive position against larger enterprises whose competitive offerings are FedRAMP authorized. Further, there can be no assurance that we will secure commitments or contracts with government entities even if we obtain such certifications, which could harm our margins, business, financial condition, and results of operations. Government demand and payment for our offerings have been and may in the future be negatively impacted by public sector budgetary cycles and funding authorizations, such as federal government shutdowns, with funding reductions or delays adversely affecting public sector demand for our offerings.

Further, governmental entities or their contractors may demand contract terms that differ from our standard arrangements and are less favorable than terms agreed with private sector customers. Such entities may have statutory, contractual or other legal rights to terminate contracts with us or our partners for convenience or for other reasons, some of which may be outside our control. Any termination for default/cause may adversely affect our ability to contract with other government customers as well as our reputation, business, financial condition, and results of operations. Governments and whistleblowers routinely investigate and audit government contractors' administrative processes and compliance with applicable legal requirements. An unfavorable investigation or audit could result in the government refusing to continue buying our subscriptions, a reduction of revenue, suspension or debarment from government contracting, or fines or civil or criminal liability if the audit uncovers improper or illegal activities, including under the False Claims Act, which could adversely affect our results of operations and reputation.

Our customers also include certain non-U.S. governments, to which government procurement law risks similar to those present in U.S. government contracting also apply, particularly in certain emerging markets where our customer base is less established. Compliance with complex regulations and contracting provisions in a variety of jurisdictions can be expensive and consume significant management resources. In certain jurisdictions, our ability to win business may be constrained by political and other factors unrelated to our competitive position in the market. Each of these difficulties could harm our business and results of operations.

Additionally, we generally contract with government customers through the indirect sales channel (i.e., resellers and distributors). Accordingly, a large majority of our revenue from public sector customers comes from a small number of distribution and resale partners. This concentration presents a risk of lost revenue in the case of a partner's bankruptcy, a dispute, nonpayment, or other business disruptions, as well as a risk of loss of access to certain public sector customers if a partner shuts down for any reason, or is suspended or debarred from government contracting in the event of their noncompliance with their own contractual and regulatory requirements. The loss of a reseller with which we do a substantial amount of business, together with our inability to replace them, could negatively impact our business, growth, financial condition and results of operations.

Acquisitions, strategic investments, joint ventures, or alliances could be difficult to identify, pose integration challenges, divert the attention of management, disrupt our business and culture, dilute stockholder value, and adversely affect our business, financial condition, and results of operations.

We have in the past and may in the future seek to acquire or invest in businesses, joint ventures, products and platform capabilities, technologies, or technical know-how that we believe could complement or expand our platform capabilities, enhance our technical capabilities, or otherwise offer growth opportunities. For example, we acquired WarpStream in September 2024 and added their BYOC data streaming solution to our offerings. Further, the proceeds we received from the IPO and our convertible notes offering increase the likelihood that we will devote resources to exploring larger and more complex acquisitions and investments than we have previously attempted. Any such acquisition or investment may divert the attention of management and cause us to incur various expenses in identifying, investigating, and pursuing suitable opportunities, whether or not the transactions are completed, and may result in unforeseen operating difficulties and expenditures. In particular, we may encounter difficulties assimilating or integrating the businesses, technologies, products and platform capabilities, personnel, or operations of any acquired companies, particularly if the key personnel of an acquired company choose not to work for us, their software is not easily adapted to work with our platform, or we have difficulty retaining the customers of any acquired business due to changes in ownership, management or otherwise. These transactions may also disrupt our business, divert our resources, and require significant management attention that would otherwise be available for development of our existing business. We may also have difficulty establishing our company values with personnel of acquired companies, which may negatively impact our culture and work environment. Any such transactions that we are able to complete may not result in any synergies or other benefits we had expected to achieve, which could result in impairment charges that could be substantial. In addition, we may not be able to find and identify desirable acquisition targets or business opportunities or be successful in entering into an agreement with any particular strategic partner. These transactions have in the past resulted and could in the future result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our results of operations. In addition, if the resulting business from such a transaction fails to meet our expectations, our business, financial condition, and results of operations may be adversely affected or we may be exposed to unknown risks or liabilities.

We may require additional capital to support the growth of our business, and this capital might not be available on acceptable terms, if at all.

We have funded our operations since inception primarily through equity and debt financings and sales of our offerings. While we have taken steps aimed at improving our operating efficiency, we cannot be certain when or if our operations will generate sufficient cash to fully fund our ongoing operations or the growth of our business. We intend to continue to make investments to support our business, which may require us to engage in equity or debt financings to secure additional funds. Additional financing may not be available on terms favorable to us, if at all, particularly during times of market volatility and general economic instability. If adequate funds are not available on acceptable terms, we may be unable to invest in future growth opportunities, which could harm our business, results of operations, and financial condition. If we incur additional debt, the debt holders, together with holders of our outstanding convertible notes, would have rights senior to holders of common stock to make claims on our assets, and the terms of any future debt could restrict our operations, including our ability to pay dividends on our common stock. Furthermore, if we issue additional equity securities, including through future issuances of equity-linked or derivative securities, our existing stockholders could experience further dilution, and the new equity securities could have rights senior to those of our common stock. Because our decision to issue securities in the future will depend on numerous considerations, including factors beyond our control, we cannot predict or estimate the amount, timing, or nature of any future issuances of debt or equity securities. As a result, our stockholders bear the risk of future issuances of debt or equity securities reducing the value of our Class A common stock and diluting their interests.

Investors' and other stakeholders' expectations of our performance relating to environmental, social and governance factors may impose additional costs and expose us to new risks.

There is an increasing focus from certain investors, customers, employees, and other stakeholders concerning environmental, social and governance matters, or ESG. Some investors may use these non-financial performance factors to guide their investment strategies and, in some cases, may choose not to invest in us if they believe our policies and actions relating to ESG are inadequate. We may face reputational damage in the event that we do not meet the ESG standards set by various constituencies.

As ESG best practices and reporting standards continue to develop, we may incur increasing costs relating to ESG monitoring and reporting and complying with ESG initiatives. For example, proposed or adopted climate and other ESG reporting regulations from the SEC, California, the European Union, the United Kingdom and other jurisdictions may increase our compliance costs. We may also face greater costs to comply with new ESG standards or initiatives in the European Union. Since 2022, we have published an annual ESG Report, which describes the measurement of our greenhouse gas emissions and our efforts to achieve carbon neutrality. In addition, our ESG Report provides highlights of how we are supporting our global workforce and our governance practices. Our disclosures on these matters, or a failure to meet evolving stakeholder expectations for ESG practices and reporting, may potentially harm our reputation and customer relationships. Due to new regulatory standards and market standards, certain new or existing customers, particularly those in the European Union, may impose stricter ESG guidelines or mandates for, and may scrutinize relationships more closely with, their counterparties, including us, which may lengthen sales cycles or increase our costs.

In addition, in the event that we communicate certain initiatives or goals regarding ESG matters, we could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could be criticized for the scope of such initiatives or goals. If we fail to satisfy the expectations of investors, customers, employees and other stakeholders or our initiatives are not executed as planned, our business, financial condition, results of operations, and prospects could be adversely affected.

At the same time, anti-ESG sentiment has gained momentum among certain groups in the United States, and the federal and state governments have enacted or proposed “anti-ESG” policies. In addition, the U.S. Supreme Court’s ruling striking down race-based affirmative action in higher education has increased scrutiny of private sector employment practices, and activist groups and state attorneys general have begun to analogize the outcome of that case to private employment matters, asserting that certain corporate practices are discriminatory and unlawful. Such anti-ESG related policies, legislation, initiatives and scrutiny could expose us to the risk of litigation or result in legal costs and reputational harm.

Further, we may experience backlash from customers, government entities, employees, or other stakeholders who disagree with our actual or perceived positions, or with our lack of position on social, environmental, governance, political, public policy, or other sensitive issues.

Risks Related to Cybersecurity

If we, or third parties with whom we work, experience a security incident compromising the confidentiality, integrity, or availability of our information technology, software, services, communications, or data, we could experience adverse consequences resulting from such compromise, including but not limited to, reputational harm, a reduction in the demand for our offerings, regulatory investigations or actions, litigation, fines and penalties, disruptions of our business operations, or other adverse consequences.

In the ordinary course of our business, we and the third parties with whom we work process sensitive data, which includes personal information and our or our customers' or other third parties' sensitive, proprietary, and confidential information. As a result, we and the third parties with whom we work face a variety of evolving threats that have in the past and could in the future cause security incidents. Security incidents that compromise the confidentiality, integrity, and availability of this information could result from cyber-attacks, computer viruses (such as worms, spyware, or other malware), social engineering (including phishing), ransomware, supply chain attacks, denial of service attacks, credential harvesting or stuffing, efforts by individuals or groups of hackers and sophisticated organizations, including state-sponsored organizations, errors or malfeasance of our personnel, including personnel who have authorized access to our systems and/or information, and security vulnerabilities in the software or systems on which we rely, including third-party systems. In particular, severe ransomware attacks, including those perpetrated by organized criminal threat actors, nation-states, and nation-state-supported actors, are becoming increasingly prevalent and severe and can lead to significant interruptions in our operations, loss of information and income, reputational harm, and diversion of funds. We have also experienced, and may in the future experience, inadvertent disclosures of confidential information, including source code, caused by accidental actions or inactions by personnel who have authorized access to our systems and the systems of third-party repositories of such information. If our personnel access authorization policies and processes for our systems and/or information are too permissive or if we do not implement adequate safeguards or controls in our information systems environments, we may experience additional security incidents due to errors or malfeasance from our personnel, customer dissatisfaction, loss of our proprietary and confidential information, or an increased risk of third-party breaches or cyber-attacks. Extortion payments may alleviate the negative impact of a ransomware attack, but we may be unwilling or unable to make such payments due to, for example, applicable laws or regulations prohibiting such payments.

Some threat actors now engage and are expected to continue to engage in cyber-attacks, including without limitation nation-state actors for geopolitical reasons and in conjunction with military conflicts and defense activities. During times of war and other major conflicts, we and the third parties with whom we work may be vulnerable to a heightened risk of these attacks, including retaliatory cyber-attacks, that could materially disrupt our systems and operations, supply chain, and ability to produce, sell and distribute our services.

We face unique threats and vulnerabilities as a data streaming software company, including but not limited to, adverse consequences resulting from any vulnerabilities in our offerings and customer misuse of our offerings. The reliability and continuous availability of our offerings are critical to our success. We take steps designed to detect, mitigate, and remediate vulnerabilities in our information systems (such as our hardware and/or software, including that of third parties with whom we work). We may not, however, detect and remediate all such vulnerabilities including on a timely basis. Further, we may experience delays in developing and deploying remedial measures and patches designed to address identified vulnerabilities. Even if we have issued or otherwise made patches or information for vulnerabilities in our software applications, products or services, our customers may be unwilling or unable to deploy such patches and use such information effectively and in a timely manner. Vulnerabilities could be exploited and result in a security incident.

Additionally, certain functional areas of our workforce remain in a remote work environment and outside of our corporate network security protection boundaries, which imposes additional risks to our business, including increased risk of industrial espionage, phishing, and other cybersecurity attacks, including those that are state-sponsored or politically motivated, and unauthorized access to or dissemination of sensitive, proprietary, or confidential information. Future acquisitions could also expose us to additional cybersecurity risks and vulnerabilities from any newly acquired information technology infrastructure.

In addition, our reliance on third-party service providers could introduce new cybersecurity risks and vulnerabilities, including supply-chain attacks, and other threats to our business operations. We rely on third parties to operate our critical business systems and process the sensitive, proprietary, and confidential information that we own, process, or control, including customer information and proprietary data and information, including source code. Our ability to monitor these third parties' information security practices is limited, and these third parties may not have adequate security measures and could experience a security incident that compromises the confidentiality, integrity, or availability of the systems they operate for us or the information they process on our behalf. If our third-party service providers experience a security incident or other interruption, we could experience adverse consequences. While we may be entitled to damages if our third-party service providers fail to satisfy their data privacy or security-related obligations to us, any award may be insufficient to cover our damages, or we may be unable to recover such award. In addition, supply-chain attacks have increased in frequency and severity, and we cannot guarantee that third parties' infrastructure in our supply chain or our third-party partners' supply chains have not been compromised.

Cybercrime and hacking techniques are constantly evolving, and we or third parties with whom we work may be unable to anticipate attempted security breaches, react in a timely manner, or implement adequate preventative measures, particularly given increasing use of hacking techniques designed to circumvent controls, avoid detection, and remove or obfuscate forensic artifacts. These risks are likely to increase as we continue to grow and process, control, store, and transmit increasingly large amounts of data.

While we have taken steps designed to protect the confidentiality, integrity, and availability of our systems and the sensitive, proprietary, and confidential information that we own, process, or control, our security measures or those of our third-party vendors may not be able to anticipate or implement effective preventive and remedial measures against all data privacy and security threats. No security solution, strategy, or measures can address all possible security threats or block all methods of penetrating a network or otherwise perpetrating a security incident. We and our third-party providers have been and may in the future be compromised by the aforementioned or similar threats, which have resulted and may in the future result in unauthorized, unlawful, or accidental processing of our information, or vulnerabilities in the products or systems upon which we rely. In addition, we do not control the content that our customers transmit, process, and maintain using our offerings. Since some of our customers use our offerings for the transmission or storage of personal information and our security measures are, or are believed to have been, breached, our business may suffer, and we could incur significant liability.

We employ a shared responsibility model where our customers are responsible for using, configuring and otherwise implementing security measures related to our platform, services and products in a manner that meets applicable cybersecurity standards, complies with laws, and addresses their information security risk. As part of this shared responsibility security model, we make certain security features available to our customers that can be implemented at our customers' discretion, or identify security areas or measures for which our customers are responsible. For example, customers have options on how they wish to authenticate their user identity to Confluent Cloud, including options such as local accounts or implementing SSO. Customers can choose their preferred method which allows them flexibility in their implementation. In certain cases where our customers choose not to implement, or incorrectly implement, those features or measures, misuse our services, or otherwise experience their own vulnerabilities, policy violations, credential exposure or security incidents, even if we are not the cause of a resulting customer security issue or incident, our customer relationships, reputation, and revenue could be adversely impacted.

If we, or a third party with whom we work, experience a security incident that results in the compromise of the confidentiality, integrity, or availability of our systems or the sensitive, proprietary, or confidential information that we own, process, or control, or the perception that one has occurred, this could result in a loss of customer confidence in the security of our platform and damage to our brand, reduce the demand for our offerings, disrupt business operations, result in the exfiltration of proprietary data and information, including source code, require us to spend material resources to investigate or correct the incident and to prevent future security incidents, expose us to legal liabilities, including litigation, regulatory enforcement (including investigations, fines, penalties, audits, and inspections), additional oversight, restrictions or bans on processing personal information, indemnity obligations, claims by our customers or other relevant parties that we have failed to comply with contractual obligations to implement specified security measures, and adversely affect our business, financial condition, and results of operations.

We cannot assure you that the limitations of liability in our contracts would be enforceable or adequate or would otherwise protect us from such liabilities or damages. Applicable data privacy and security obligations may also require us to notify relevant stakeholders of security incidents. Such notifications are costly, and the notifications or the failure to comply with such requirements could lead to material adverse impacts such as negative publicity, loss of customer confidence in our services or security measures, investigations, and private or government claims.

In addition to experiencing a security incident, third parties may gather, collect, or infer sensitive information about us from public sources, data brokers, or other means that reveal competitively sensitive details about our organization and could be used to undermine our competitive advantage or market position. Additionally, sensitive information of Confluent or our customers could be leaked, disclosed, or revealed as a result of or in connection with our employees', personnel's, or vendors' use of GenAI technologies.

Additionally, we cannot be certain that our insurance coverage will be adequate or otherwise protect us with respect to claims, expenses, fines, penalties, business loss, data loss, litigation, regulatory actions, or other impacts arising out of security incidents, particularly if we experience an event that impacts multiple customers, that such coverage will continue to be available on acceptable terms or at all, or that such coverage will pay future claims. Any of these results could adversely affect our business, financial condition, and results of operations.

Real or perceived errors, failures, bugs, or defects in our offerings could adversely affect our reputation and harm our business.

Our offerings are complex and, like all software, may contain undetected defects or errors. We are continuing to evolve the features and functionality of our Data Streaming Platform through updates and enhancements, and as we do so, we may introduce additional defects or errors that may not be detected until after deployment by our customers. In addition, if our platform is not implemented or used correctly or as intended, inadequate performance and disruptions in service may result. Moreover, if we acquire companies or integrate into our platform technologies developed by third parties, we may encounter difficulty in incorporating the newly-obtained technologies into our platform and maintaining the quality standards that are consistent with our reputation. Since our customers use our Data Streaming Platform for important aspects of their business, any actual or perceived errors, defects, bugs, or other performance problems could damage our customers' businesses. Any defects or errors in our platform, or the perception of such defects or errors, could result in a loss of, or delay in, market acceptance of our offerings, loss of existing or potential customers, and delayed or lost revenue and could damage our reputation and our ability to convince enterprise users of the benefits of our offerings.

In addition, errors in our Data Streaming Platform could cause system failures, loss of data or other adverse effects for our customers that may assert warranty and other claims for substantial damages against us. Although our agreements with our customers typically contain provisions that seek to limit our exposure to such claims, it is possible that these provisions may not be effective or enforceable under the laws of some jurisdictions. While we seek to insure against these types of claims, our insurance policies may not adequately limit our exposure to such claims. These claims, even if unsuccessful, could be costly and time consuming to defend and could harm our business, financial condition, results of operations, and cash flows.

Interruptions or performance problems associated with our offerings may adversely affect our business, financial condition, and results of operations.

Our continued growth depends in part on our ability to provide a consistently reliable Data Streaming Platform. If we are unable to do so due to vulnerabilities in programming, coding errors, outages caused by our platform's complexity or scale or due to disruptions in cloud services, or because the systems complexity and scale result in extended outages, we may experience a loss of customers, lost or delayed market acceptance of our offerings, delays in payment to us by customers, injury to our reputation and brand, legal claims against us, and the diversion of our resources.

It may become increasingly difficult to maintain and improve the performance of Confluent Cloud as our customer base grows and Confluent Cloud becomes more complex. We may experience disruptions, outages, and other performance problems in Confluent Cloud due to a variety of factors, including infrastructure changes, introductions of new functionality, human or software errors, denial of service attacks, issues with third-party cloud hosting providers, or other security-related incidents. To date, we have not completed an end-to-end test of all recovery scenarios for the Confluent Cloud offering and, as such, our recovery plans may not resolve disruptions, outages or other performance problems as quickly or as fully as we intend. To the extent that we do not effectively address recovery scenario planning, capacity constraints, upgrade our systems as needed, and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, our reputation, business, financial condition, and results of operations may be adversely affected.

We are subject to increasingly stringent and evolving U.S. and foreign laws, regulations, rules, contractual obligations, policies, and other requirements related to data privacy and security. Our actual or perceived failure to comply with such obligations could lead to regulatory investigations or actions, litigation, fines and penalties, disruptions of our business operations, reputational harm, or otherwise harm our business.

In the ordinary course of our business, we collect, receive, store, generate, use, transfer, disclose, make accessible, protect, secure, dispose of, transmit, share, and process sensitive, proprietary, confidential, and regulated information, including personal information, trade secrets, intellectual property, and other business information, that belongs to us or that we handle on behalf of others such as our customers. As such, we, our customers, and third parties with whom we work, are subject to numerous evolving and increasingly stringent foreign and domestic laws and requirements relating to data privacy and security that are increasing the cost and complexity of operating our business. These requirements may also include regulations, guidance, industry standards, policies, contractual obligations, external and internal policies and procedures, and other obligations related to data privacy and security.

In the United States, federal, state, and local governments have enacted numerous data privacy and security laws, including data breach notification laws, personal information privacy laws, health information privacy laws, consumer protection laws (e.g., Section 5 of the Federal Trade Commission Act), and other similar laws (e.g., wiretapping laws). For example, the California Consumer Privacy Act, or CCPA, imposes several obligations on covered businesses, including requiring specific disclosures in privacy notices related to a business's collection, use, and sharing of personal information, implementing new operational practices, and honoring requests from California residents to exercise certain privacy rights related to their personal information. The CCPA contains civil potential penalties for noncompliance of up to \$7,500 per violation and allows private litigants affected by certain data breaches to recover significant statutory damages. The California Privacy Protection Agency was established to implement and enforce the CCPA and actively investigates and enforces against organizations. As of December 2024, at least 20 U.S. states have passed comprehensive data privacy and security laws, and similar laws are being considered in several other states as well as at the federal and local levels. These developments further complicate compliance efforts and increase legal risk and compliance costs for us and the third parties upon whom we rely. Additionally, pursuant to various data privacy and security laws and other obligations, we are now and may in the future be required to obtain certain consents to process personal information. Our inability or failure to do so could result in adverse consequences.

Foreign laws relating to data privacy and security are also undergoing a period of rapid change and have become more stringent in recent years. For example, the General Data Protection Regulation, or EU GDPR, applies in the European Union, or EU, and by virtue of section 3 of the European Union (Withdrawal) Act 2018, the United Kingdom GDPR, or UK GDPR, applies in the UK. For major violations, noncompliant companies face fines of up to the greater of 20 million Euros or 4% of their global annual revenues under the EU GDPR and up to the greater of £17.5m or up to 4% of annual global revenues in respect of the UK GDPR. In addition to the foregoing, a breach of the EU GDPR or UK GDPR could result in regulatory investigations, reputational damage, potential bans on processing of personal information, private litigation, and/or other corrective action, such as class actions brought by classes of data subjects or by consumer protection organizations authorized at law to represent their interests. Laws in EU member states and the UK also impose restrictions on direct marketing communications and the use of cookies and similar technologies online, and a new regulation proposed in the EU called the e-Privacy Regulation may make such restrictions more stringent.

Furthermore, European data privacy and security laws, including the EU GDPR and UK GDPR, generally restrict the transfer of personal information from the European Economic Area, or EEA, and the UK to countries that are not generally considered by some data protection authorities as providing an adequate level of data protection. Swiss laws contain similar data transfer restrictions. The European Commission recently released updated Standard Contractual Clauses and the EU-U.S. Data Privacy Framework, mechanisms to transfer personal information outside of the EEA, which impose additional obligations for cross-border data transfers. These mechanisms are subject to legal challenges and there is no assurance that we can satisfy or rely on these mechanisms to lawfully transfer personal information to the United States. Countries outside of Europe have enacted or are considering similar cross-border data transfer restrictions and laws requiring local data residency and restricting cross-border data transfer, which could increase the cost and complexity of doing business. If we cannot implement a valid mechanism for cross-border personal information transfers, we may face increased risk of regulatory actions, penalties, and data processing restrictions or bans. For example, in May 2023, the Irish Data Protection Commission determined that a major social media company's use of the Standard Contractual Clauses was insufficient and levied a 1.2 billion Euro fine against the company and prohibited the company from transferring personal information to the United States. Evolving cross-border data transfer requirements may also result in reduced demand for our services and require us to increase our data processing capabilities and other operations in Europe at significant expense.

Data privacy and security laws are also becoming more stringent beyond Europe. For example, in Canada, the Personal Information Protection and Electronic Documents Act, and various related provincial laws, as well as Canada's Anti-Spam Legislation, may apply to our operations. We also target customers in Asia and have operations in China, Japan, and Singapore and may be subject to new and emerging data privacy and security regimes in Asia, including China's Personal Information Protection Law, Japan's Act on the Protection of Personal Information, and Singapore's Personal Data Protection Act.

We are and may in the future be bound by contractual obligations related to data privacy and security, and our efforts to comply with such obligations may not be successful. For example, data privacy laws including the EU GDPR, UK GDPR, U.S. Health Insurance Portability and Accountability Act of 1996, or HIPAA, and CCPA require companies to impose specific contractual restrictions on their service providers or processors. In addition, some customers that use certain of our offerings to process protected health information require us to sign business associate agreements that subject us to the data privacy and security requirements under HIPAA and the U.S. Health Information Technology for Economic and Clinical Health Act, as well as state laws that govern the data privacy and security of health information. Our customers' increasing data privacy and security requirements also increase the cost and complexity of ensuring that the third parties with whom we work to operate our business and deliver our services can meet these standards. If we or third parties with whom we work are unable to meet our customers' demands or comply with the increasingly stringent legal or contractual requirements they impose on us relating to data privacy and security, including requirements based on updated Standard Contractual Clauses, we may face increased legal liability, customer contract terminations and reduced demand for our services.

Some of our employees and personnel use GenAI technologies to perform their work, and the disclosure and use of personal information in such technologies is subject to various data privacy and security laws and obligations. Governments have passed and are likely to pass additional laws regulating GenAI, including, for example, Colorado’s Consumer Protections for Artificial Intelligence law (effective in February 2026), and the EU’s AI Act, which is expected to be adopted and enforced by 2026. Our use of this technology could result in additional compliance costs and regulatory investigations and actions. If we are unable to use GenAI, it could make our business less efficient and result in competitive disadvantages.

Finally, we publish privacy policies, marketing material, and other documentation or statements regarding our collection, use, disclosure, and other processing of personal information. Although we endeavor to adhere to these policies, statements, and documentation, we, and the third parties with whom we work, may at times fail to do so or may be perceived to have failed to do so. Such failures could result in regulatory enforcement action as well as costly legal claims by affected individuals or our customers.

The number and scope of obligations related to data privacy and security are quickly changing. Preparing for and attempting to comply with these obligations requires significant resources and, potentially, changes to our technologies, systems, and practices and those of any third parties that process personal data on our behalf. We strive to comply with applicable data privacy and security laws and requirements, but we cannot fully determine the impact that current or future such laws and requirements may have on our business or operations. Such laws or requirements may be inconsistent from one jurisdiction to another, subject to differing interpretations, and courts or regulators may deem our efforts to comply as insufficient. If we, or the third parties with whom we work to operate our business and deliver our services, fail to comply, or are perceived as failing to comply, with our legal or contractual obligations relating to data privacy and security, or our policies and documentation relating to personal information, we could face governmental enforcement action; litigation with our customers, individuals or others; fines and civil or criminal penalties for us or company officials; obligations to cease offering our services or to substantially modify them in ways that make them less effective in certain jurisdictions; negative publicity and harm to our brand and reputation; and reduced overall demand for our services. Such developments could adversely affect our business, financial condition, and results of operations.

Risks Related to Our Sales and Marketing Efforts and Brand

Failure to effectively develop and expand our sales and marketing capabilities or improve the productivity of our sales and marketing organization could harm our ability to expand our potential customer and sales pipeline, increase our customer base, and achieve broader market acceptance of our offerings.

Our ability to increase our customer base, achieve broader market adoption and acceptance of our offerings, and expand our potential customer and sales pipeline and brand awareness will depend to a significant extent on our ability to expand and improve the productivity and effectiveness of our sales and marketing organization. We plan to continue expanding our direct sales force, both domestically and internationally. We also plan to dedicate significant resources to sales and marketing programs, including to decrease the time required for our sales personnel to achieve desired productivity levels. Historically, newly hired sales personnel have needed several quarters to achieve desired productivity levels. We expect to continue investing significant financial and other resources in our sales and marketing efforts, which will result in increased costs and impact our margins and results of operations. Our revenue growth rate, business, and results of operations have from time to time been harmed and may in the future be harmed if our sales and marketing efforts fail to successfully expand our potential customer and sales pipeline and existing customer engagement with our offerings, including through increasing brand awareness, new customer acquisition, and market adoption of our offerings, particularly for Confluent Cloud. We must also continue to effectively develop and optimize our sales and marketing capabilities following our shift to a consumption-oriented sales model for Confluent Cloud, otherwise our business, financial condition, and results of operations may suffer. In addition, we may not achieve anticipated revenue growth from investing in our sales force if we are unable to hire, develop, integrate, and retain talented and effective sales personnel, if our new and existing sales personnel, on the whole, are unable to achieve desired productivity levels in a reasonable period of time or at all, or if our sales and marketing programs are not effective. Our efforts in this regard may be disrupted by a variety of factors, including continuing macroeconomic uncertainty and slower than expected ramp time for our sales and marketing organization, and may result in near term headwinds to our growth. Additionally, attrition in our sales organization has adversely impacted and may continue to adversely impact our ability to meet our sales, consumption and revenue forecasts, cause delays in our sales cycle, and result in increased costs, any of which would harm our growth, business, results of operations, and financial condition.

If we fail to maintain and enhance our brand, including among developers, our ability to expand our customer base will be impaired and our business, financial condition, and results of operations may suffer.

We believe that maintaining and enhancing the Confluent brand, including among developers, is important to support the marketing and sale of our existing and future offerings to new customers and expansion of sales to existing customers. We believe that the importance of brand recognition will increase as competition in our market increases. In particular, we believe that enhancing the Confluent brand will be critical to the growth and market adoption and acceptance of Confluent Cloud due to the presence of open source alternatives, competing large public cloud providers with widespread name recognition, such as AWS, Azure, and GCP, and other data infrastructure platforms. Software developers, including those within our customers' IT departments, are often familiar with our underlying technology and value proposition. We rely on their continued adoption of our offerings to evangelize on our behalf within their organizations and increase reach and mindshare within the developer community. Actions that we have taken in the past or may take in the future with respect to Apache Kafka or our community license, including the development and growth of our proprietary offerings, may be perceived negatively by the developer community and harm our reputation. Successfully maintaining and enhancing our brand will depend largely on the effectiveness of our marketing efforts, our ability to provide reliable products that continue to meet the needs of our customers at competitive prices, our ability to maintain our customers' trust, our ability to continue to develop new functionality and use cases, our ability to successfully differentiate our offerings and their capabilities from competitive products, including open source alternatives, and our ability to increase our reach and mindshare in the developer community. Our brand promotion activities may not generate customer awareness or yield increased revenue, and even if they do, any increased revenue may not offset the expenses we incur in building our brand. If we fail to successfully promote and maintain our brand, our business, financial condition, and results of operations may suffer.

We have a limited history with pricing models for our offerings, and we may need to adjust the pricing terms of our offerings, which could have an adverse effect on our revenue and results of operations.

We have limited experience with respect to determining the optimal prices for our offerings, and, in particular, we have limited experience pricing our offerings under economic conditions characterized by high inflation or in recessionary or uncertain economic environments. We have changed our pricing model from time to time and expect to continue to do so in the future. We also expect to continue providing additional features and functionality for our offerings as we work toward expanding applications and use cases for our offerings, which will require us to continuously evaluate optimal pricing for our offerings. If we do not optimally adjust pricing for our offerings, our revenue and margins as well as future customer acquisitions may be negatively impacted. As the markets for our offerings mature, as macroeconomic conditions evolve, or as new competitors introduce new products or services that compete with ours, we may be unable to attract new customers at the same price or on the same terms. Moreover, enterprise customers may demand greater price concessions, or we may be unable to increase prices to offset increases in costs, including hosting costs associated with Confluent Cloud and increases related to inflationary pressures. However, our historical data and operating experience may be insufficient to adequately inform our future pricing strategies for changing market environments. As a result, we have been, and may in the future be, required to reduce our prices or increase our discounting, which could adversely affect our revenue, gross margin, profitability, financial position, and cash flow.

Sales to enterprise customers involve risks that may not be present or that are present to a lesser extent with respect to sales to smaller organizations.

As of December 31, 2024 and December 31, 2023, we had 1,381 customers and 1,229 customers with \$100,000 or greater in ARR, respectively. See the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Key Business Metrics” for a description of ARR. Sales to enterprise customers and large organizations involve risks that may not be present or that are present to a lesser extent with sales to smaller customers. These risks include longer sales cycles, more complex customer requirements, substantial upfront sales costs and less predictability in completing some of our sales. For example, enterprise customers may require considerable time to evaluate and test our offerings and those of our competitors prior to making a purchase decision and placing an order. A number of factors influence the length and variability of our sales cycle, including the need to educate potential customers about the uses and benefits of our offerings, the discretionary nature of purchasing and budget cycles, macroeconomic uncertainty and challenges and resulting increased IT spending scrutiny, heightened security and data privacy requirements, and the competitive nature of the evaluation and purchasing approval processes. Since the process for deployment, configuration, and management of our offerings is complex, we are also often required to invest significant time and other resources to train and familiarize potential customers with our offerings. Customers may engage in extensive evaluation, testing, and quality assurance work before making a purchase commitment, which increases our upfront investment in sales, marketing, and deployment efforts, with no guarantee that these customers will make a purchase or increase the scope of their subscriptions or usage commitments. In certain circumstances, an enterprise customer’s decision to use our offerings may be an organization-wide decision, and therefore, these types of sales require us to provide greater levels of education regarding the use and benefits of our offerings. As a result, the length of our sales cycle, from identification of the opportunity to deal closure, has varied, and may continue to vary, significantly from customer to customer, with sales to large enterprises and organizations typically taking longer to complete. Moreover, large enterprise customers often begin to deploy our offerings on a limited basis but nevertheless demand configuration, integration services, and pricing negotiations, which increase our upfront investment in the sales effort with no guarantee that these customers will deploy our offerings widely enough across their organization to justify our substantial upfront investment.

Given these factors, it is difficult to predict whether and when a sale will be completed and when revenue from a sale will be recognized due to the variety of ways in which customers may purchase our offerings. This may result in lower than expected revenue in any given period, which would have an adverse effect on our business, results of operations, and financial condition.

Our estimates of market opportunity and forecasts of market growth may prove to be inaccurate, and even if the market in which we compete achieves the forecasted growth, our business could fail to grow at similar rates, if at all.

Our estimates of market opportunity and forecasts of market growth may prove to be inaccurate. Market opportunity estimates and growth forecasts are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate, including due to the risks described in this Annual Report. Even if the market in which we compete achieves the forecasted growth, our business could fail to grow at similar rates, if at all.

The variables that go into the calculation of our market opportunity are subject to change over time, and there is no guarantee that any particular number or percentage of addressable users or companies covered by our market opportunity estimates will purchase our offerings at all or generate any particular level of revenue for us.

Any expansion in our market depends on a number of factors, including the cost, performance, and perceived value associated with our Data Streaming Platform and offerings by our competitors. Even if the market in which we compete meets our size estimates and growth forecasts, our business could fail to grow at similar rates, if at all. Our growth is subject to many factors, including our success in implementing our business strategy, which is subject to many risks and uncertainties.

Risks Related to Our Customers

If we are unable to attract new customers or expand our potential customer and sales pipeline, our business, financial condition, and results of operations will be adversely affected.

To increase our revenue, we must continue to generate market acceptance of our brand and attract new customers and expand our potential customer and sales pipeline. Our success will depend to a substantial extent on the widespread adoption of our Data Streaming Platform, including its capabilities to enable customers to stream, connect, process, and govern their data, as an alternative to competing solutions, including open source alternatives. In addition, as our market matures, our offerings evolve, and competitors introduce lower cost or differentiated products that compete with our offerings, our ability to sell our offerings could be impaired. Similarly, our sales efforts could be adversely impacted if customers or users within these organizations perceive that features incorporated into competitive products reduce the need for our offerings or if they prefer to purchase competing products that are bundled together with other types of products, such as data infrastructure platforms offered by public cloud providers. Our existing sales and marketing strategies for new customer acquisition may also be unsuccessful. For example, we offer free, limited evaluation and developer usage of Confluent Platform and free introductory usage of Confluent Cloud to encourage awareness, usage, familiarity, and adoption, and a pay-as-you-go arrangement for Confluent Cloud without usage commitments. If we are unable to successfully convert these free users into paying customers, or convert pay-as-you-go customers into customers with usage-based commitments, we will not realize the intended benefits of this marketing and adoption strategy. Additionally, our success depends in part on the adoption and expanded use of our offerings by customers who are subject to rapidly evolving rules, regulations, and industry standards or are in new or emerging markets, such as GenAI, which may impact our ability to generate market acceptance of our offerings or cause market acceptance of our offerings to develop more slowly than we expect. As a result of these and other factors, we may be unable to attract new customers or expand our potential customer and sales pipeline, which may have an adverse effect on our business, financial condition, and results of operations.

Our business depends on our existing customers renewing their subscriptions and usage-based commitments, purchasing additional subscriptions and usage-based commitments, and expanding their use of our offerings.

Our future success depends in part on our ability to expand our customers' use of our offerings into additional use cases, our customers renewing their subscriptions and usage-based commitments, and our ability to develop our offerings for additional use cases and applications. The terms of our subscriptions and usage-based commitments are primarily one year in duration. Our customers have no obligation to renew after the expiration of the applicable term. In order for us to maintain or improve our results of operations, it is important that our customers enter into relationships with us that increase in value over time, and renew and expand their subscriptions with us, including through the use of our offerings for additional use cases and applications. Although we seek to increase our revenue through expanded use of our offerings by customers in additional use cases, we may not be successful in such efforts. Our dollar-based net retention rate has historically declined or fluctuated, and may further decline or fluctuate, as a result of a number of factors, including loss of one or more customers, the timing and size of any such losses, including as a result of a customer not renewing, business strength or weakness of our customers, customer usage of our offerings, customer satisfaction with the capabilities of our offerings and our level of customer support, our prices, the capabilities and prices of competing products, decisions by customers to use open source alternatives, mergers and acquisitions affecting our customer base, the effects of global economic conditions, including high interest rates and inflation, currency exchange rate fluctuations, or reductions in our customers' spending on IT solutions or their spending levels generally. In addition, as some customers transition from Confluent Platform to Confluent Cloud, our dollar-based net retention rate may decline or fluctuate, at least in the short term, as those customers replace subscriptions to Confluent Platform with usage-based commitments. Historically, some of our customers have elected not to renew their subscriptions with us for a variety of reasons, including as a result of competing products, internally developed or managed solutions, including those based on Apache Kafka or other open source alternatives, mergers and acquisitions of our customers, and global economic conditions. These factors have been and may continue to be exacerbated as our customer base of larger enterprises continues to grow, which may require increasingly sophisticated and costly sales efforts, if large enterprises further develop internal capabilities, as our customer base matures, and if a recessionary or uncertain economic environment negatively impacts our customer base's information technology budgets. In addition, a strengthening of the U.S. dollar could increase the real cost of our offerings to our customers outside of the United States, which could result in loss of customers or reduced usage of our offerings. If our customers do not renew their subscriptions and/or usage-based commitments, expand their use of our offerings, and purchase additional products from us, our revenue may decline and our business, financial condition, and results of operations may be harmed.

If we or any of our partners fail to offer high-quality support, our reputation could suffer.

Our customers rely on our or our channel partners' support personnel to resolve issues and realize the full benefits that our offerings provide. High-quality support is also important for the continuation and expansion of our relationships with existing customers. The importance of these support functions will increase as we expand our business and pursue new customers. In certain cases when we provide our offerings for sale by channel partners as part of their value-added offerings, our partners may be responsible for providing support and support personnel for our customers. We often have limited to no control or visibility in such cases. If we or such partners do not help our customers quickly resolve issues and provide effective ongoing support, our ability to maintain and expand our sales to existing and new customers could suffer, and our reputation with existing or potential customers could suffer.

Incorrect implementation or use of our offerings, or our customers' failure to update Confluent Platform, could result in customer dissatisfaction and negatively affect our reputation, business, operations, financial results, and growth prospects.

Our offerings are often used for and within large scale, complex IT environments. Our customers and some partners require education and experience in the proper use of and the benefits that can be derived from our offerings to maximize their potential. If users of our offerings do not implement, use, or update our offerings correctly or as intended, then inadequate performance and/or security vulnerabilities may result. Because our customers rely on our offerings to manage a wide range of operations, the incorrect implementation or use of our offerings, or our self-managed customers' failure to update Confluent Platform, or our failure to train customers on how to use our offerings productively may result in customer dissatisfaction and negative publicity, and may adversely affect our reputation and brand. Our failure to effectively provide education and implementation services to our customers could result in lost opportunities for follow-on sales to these customers and decrease subscriptions by new customers, which would adversely affect our business and growth prospects.

Indemnity provisions in various agreements to which we are party potentially expose us to substantial liability for infringement, misappropriation, or other violation of intellectual property rights, data protection, and other losses.

Certain of our agreements with our customers and other third parties include indemnification provisions under which we agree to indemnify or otherwise be liable to them for losses suffered or incurred as a result of claims of infringement, misappropriation or other violation of intellectual property rights, data protection, compliance with laws, damages caused by us to property or persons, or other liabilities relating to or arising from our software, services, platform, our acts or omissions under such agreements, or other contractual obligations. From time to time, our customers and other third parties have requested, and may in the future request, us to indemnify them for such claims or liabilities. In certain circumstances, our agreements provide for uncapped indemnity liability for certain intellectual property infringement claims. Large indemnity payments could harm our business, financial condition, and results of operations. Although we attempt to contractually limit our liability with respect to such indemnity obligations, we are not always successful and may still incur substantial liability related to them, and we may be required to cease use of or modify certain functions of our offerings as a result of any such claims. Any dispute with a customer or other third party with respect to such obligations could have adverse effects on our relationship with such customer or other third party and other existing or prospective customers, reduce demand for our subscriptions and services and adversely affect our business, financial condition, and results of operations. In addition, although we carry general liability insurance, our insurance may not be adequate to indemnify us for all liability that may be imposed or otherwise protect us from liabilities or damages with respect to claims alleging unauthorized access to or disclosure of customer data, and any such coverage may not continue to be available to us on acceptable terms or at all.

We typically provide service-level commitments under our customer agreements. If we fail to meet these commitments, we could face customer terminations, a reduction in renewals, and damage to our reputation, which would lower our revenue and harm our business, financial condition, and results of operations.

Our agreements with our customers contain uptime and response service-level commitments. If we fail to meet these commitments, we could face customer terminations or a reduction in renewals, which could significantly affect both our current and future revenue. Any service-level commitment failures could also damage our reputation. In addition, if we are unable to meet the stated uptime requirements described in our Confluent Cloud agreements, we may be contractually obligated to provide these customers with service credits, which could significantly affect our revenue in the periods in which the failure occurs and the credits are applied. Any of these outcomes or failures could also adversely affect our business, financial condition, and results of operations.

Risks Related to Our Intellectual Property

We use third-party open source software in our offerings, which could negatively affect our ability to sell our offerings or subject us to litigation or other actions.

We use third-party open source software in our offerings, most significantly Apache Kafka Apache Flink, and Apache Iceberg, and we expect to continue to incorporate such open source software in our offerings in the future. Many open source software licenses, including the Apache License, Version 2.0, state that any work of authorship licensed under it may be reproduced and distributed provided that certain conditions are met. However, we may be subject to suits by parties claiming ownership rights in what we believe to be permissively licensed open source software or claiming non-compliance with the applicable open source licensing terms. It is possible that a court would hold the Apache License, Version 2.0 to be unenforceable or that someone could assert a claim for proprietary rights in a program developed and distributed under it. Any ruling by a court that this license is not enforceable, or that open source components of our offerings may not be reproduced or distributed, may negatively impact our distribution or development of all or a portion of our offerings.

In addition, some open source licenses require end-users who distribute or make available across a network software and services that include open source software to make available all or part of such software, which in some circumstances could include valuable proprietary code. While we employ practices designed to monitor our compliance with the licenses of third-party open source software and protect our valuable proprietary source code, we may inadvertently use third-party open source software in a manner that is inconsistent with our applicable policies, or that exposes us to claims of non-compliance with the terms of their licenses, including claims of intellectual property rights infringement or breach of contract. Furthermore, there exists today an increasing number of types of open source software licenses, almost none of which have been tested in courts of law to provide guidance of their proper legal interpretations. From time to time, there have been claims challenging the ownership rights in open source software against companies that incorporate it into their offerings, and the licensors of such open source software provide no warranties or indemnities with respect to such claims. As a result, we and our customers could be subject to lawsuits or threats of lawsuits by parties claiming ownership rights in what we believe to be permissively licensed open source software. Resulting litigation could be costly for us to defend and harm our reputation, business, financial condition, and results of operations. If our activities were determined to be out of compliance with the terms of any applicable “copyleft” open source licenses, we may be required to publicly release certain portions of our proprietary source code for no cost, we could face an injunction for our offerings, and we could also be required to expend substantial time and resources to re-engineer some or all of our software.

We also regularly contribute source code under open source licenses and have made some of our own software available under open source or source-available licenses, and we include third-party open source software in our offerings. Because the source code for any software we contribute to open source projects, including Apache Kafka, Apache Flink, and Apache Iceberg, or distribute under open source or source-available licenses is publicly available, our ability to protect our intellectual property rights with respect to such source code may be limited or lost entirely, and we may be limited in our ability to prevent our competitors or others from using such contributed source code. While we have policies in place that govern such submissions, there is a risk that employees may submit proprietary source code or source code embodying our intellectual property, in either case, not intended to be distributed in such a manner, to such open source projects. In addition, the use of third-party open source software may expose us to greater risks than the use of third-party commercial software because open source licensors generally do not provide warranties or controls on the functionality or origin of the software. Use of open source software may also present additional security risks because the public availability of such software may publicize vulnerabilities or otherwise make it easier for hackers and other third parties to determine how to compromise our platform or the systems of our customers who are running our offerings. Any of the foregoing could be harmful to our business, results of operations or financial condition, and could help our competitors develop products and services that are similar to or better than ours.

Our offerings have evolved from Apache Kafka, Apache Flink and other open source software, which are widely available, and therefore, we do not own the exclusive rights to the use of Apache Kafka, Apache Flink and other open source software, nor are we able to control the evolution, enhancement, and maintenance of Apache Kafka, Apache Flink and other open source software.

The technology underlying our offerings has evolved from certain open source software, such as Apache Kafka and Apache Flink, and as a result we cannot exclude other companies from adopting and modifying certain common elements of our software and that of such open source software. With open source software, competitors can also develop competing products without the amount of overhead and lead time required for traditional proprietary software development. In addition, if competing products are also based on or compatible with Apache Kafka or Apache Flink, existing customers may also be able to easily transfer their applications to competing products. Competitors with greater resources than ours or members of the Apache Kafka or Apache Flink communities may create similar or superior offerings, or modify Apache Kafka or Apache Flink with different, superior features, and could make such products available to the public free of charge. Our competitors or members of the open source community may also develop a new open source project or a closed-source proprietary product that is similar to or superior to Apache Kafka or Apache Flink in terms of features or performance, in turn gaining popularity or replacing Apache Kafka as the new standard for data-in-motion technology among developers and other users. As a result, the future of Apache Kafka, Apache Flink and other open source software could change dramatically and such change in trajectory, use and acceptance in the marketplace and resulting competitive pressure could result in reductions in the prices we charge for our offerings, loss of market share, and adversely affect our business operations and financial outlook. Additionally, the development and growth of our proprietary offerings may result in the perception within the open source community of a diminution of our commitment to Apache Kafka, Apache Flink and other open source platforms. Such perceptions may negatively affect our reputation within the developer community, which may adversely affect market acceptance and future sales of our offerings.

Any failure to obtain, maintain, protect, or enforce our intellectual property and proprietary rights could impair our ability to protect our proprietary technology and our brand.

Our success depends to a significant degree on our ability to obtain, maintain, protect and enforce our intellectual property rights, including our proprietary technology, know-how, and our brand. We rely on a combination of trademarks, trade secrets, patents, copyrights, service marks, contractual restrictions, and other intellectual property laws and confidentiality procedures to establish and protect our proprietary rights. However, the steps we take to obtain, maintain, protect, and enforce our intellectual property rights may be inadequate. We will not be able to protect our intellectual property rights if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property rights. If we fail to protect our intellectual property rights adequately, our competitors may gain access to our proprietary technology and develop and commercialize substantially identical products, services, or technologies. In addition, defending our intellectual property rights might entail significant expense. Any patents, trademarks or other intellectual property rights that we have or may obtain may be challenged or circumvented by others or invalidated or held unenforceable through administrative process, including re-examination, inter partes review, interference and derivation proceedings, equivalent proceedings in foreign jurisdictions (e.g., opposition proceedings), or litigation.

In addition, we cannot assure you that our patent applications will result in issued patents, and we may be unable to obtain or maintain patent protection for our technology. In addition, our issued patents or any patents issued from future patent applications or licensed to us in the future may not provide us with competitive advantages or may be successfully challenged by third parties. There may be issued patents of which we are not aware, held by third parties that, if found to be valid and enforceable, could be alleged to be infringed by our current or future technologies or offerings. There also may be pending patent applications of which we are not aware that may result in issued patents, which could be alleged to be infringed by our current or future technologies or offerings. Furthermore, legal standards relating to the validity, enforceability, and scope of protection of intellectual property rights are uncertain. Despite our precautions, it may be possible for unauthorized third parties to copy our offerings and use information that we regard as proprietary to create products that compete with ours. Patent, trademark, copyright, and trade secret protection may not be available to us in every country in which our offerings are available.

The value of our intellectual property could diminish if others assert rights in or ownership of our trademarks and other intellectual property rights, or trademarks that are similar to our trademarks. We may be unable to successfully resolve these types of conflicts to our satisfaction. In some cases, litigation or other actions may be necessary to protect or enforce our trademarks and other intellectual property rights. Furthermore, third parties may assert intellectual property claims against us, and we may be subject to liability, required to enter into costly license agreements, or required to rebrand our offerings or prevented from selling our offerings if third parties successfully oppose or challenge our trademarks or successfully claim that we infringe, misappropriate or otherwise violate their trademarks or other intellectual property rights. In addition, the laws of some foreign countries may not be as protective of intellectual property rights as those in the United States, and mechanisms for enforcement of intellectual property rights may be inadequate. As we expand our international activities, our exposure to unauthorized copying and use of our offerings and proprietary information will likely increase. Moreover, policing unauthorized use of our technologies, trade secrets, and intellectual property may be difficult, expensive, and time-consuming, particularly in foreign countries where the laws may not be as protective of intellectual property rights as those in the United States and where mechanisms for enforcement of intellectual property rights may be weak. Accordingly, despite our efforts, we may be unable to prevent third parties from infringing upon, misappropriating or otherwise violating our intellectual property rights.

We enter into confidentiality and invention assignment agreements with our employees and consultants and enter into confidentiality agreements with other third parties, including suppliers and other partners. However, we cannot guarantee that we have entered into such agreements with each party that has or may have had access to our proprietary information, know-how, and trade secrets. Moreover, no assurance can be given that these agreements will be effective in controlling access to, distribution, use, misuse, misappropriation, reverse engineering, or disclosure of our proprietary information, know-how, and trade secrets. Further, these agreements may not prevent our competitors from independently developing technologies that are substantially equivalent or superior to our offerings and platform capabilities. These agreements may be breached, and we may not have adequate remedies for any such breach. In the past, certain of our proprietary data and information, including source code, was exfiltrated. This and any future similar incidents may lead to unauthorized use of our intellectual property rights by third parties. Third parties with access to our exfiltrated source code may also glean insights into our proprietary architecture by examining structural elements of the source code. Due to the nature of this incident, our ability to enforce our rights against such unauthorized users may be limited or not possible.

In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect such rights. Litigation may be necessary in the future to enforce our intellectual property rights and to protect our trade secrets. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming, and distracting to management, and could result in the impairment or loss of portions of our intellectual property. Further, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims, and countersuits attacking the validity and enforceability of our intellectual property rights, and if such defenses, counterclaims, or countersuits are successful, we could lose valuable intellectual property rights. Our inability to protect our proprietary technology against unauthorized copying or use, as well as any costly litigation or diversion of our management's attention and resources, could delay further sales or the implementation of our offerings and platform capabilities, impair the functionality of our offerings and platform capabilities, delay introductions of new solutions, result in our substituting inferior or more costly technologies into our offerings, or injure our reputation.

We may become subject to intellectual property disputes, which are costly and may subject us to significant liability and increased costs of doing business.

Our success depends, in part, on our ability to develop and commercialize our offerings without infringing, misappropriating or otherwise violating the intellectual property rights of third parties. However, we may not be aware that our offerings are infringing, misappropriating or otherwise violating third-party intellectual property rights, and such third parties may bring claims alleging such infringement, misappropriation or violation. Lawsuits are time-consuming and expensive to resolve, and they divert management's time and attention. The software industry is characterized by the existence of a large number of patents, copyrights, trademarks, trade secrets, and other intellectual and proprietary rights. Companies in the software industry are often required to defend against litigation claims based on allegations of infringement, misappropriation or other violations of intellectual property rights. Our technologies may not be able to withstand any third-party claims against their use. In addition, many companies have the capability to dedicate substantially greater resources to enforce their intellectual property rights and to defend claims that may be brought against them. We do not currently have a large patent portfolio, which could prevent us from deterring patent infringement claims through our own patent portfolio, and our competitors and others may now and in the future have significantly larger and more mature patent portfolios than we have. Any litigation may also involve patent holding companies or other adverse patent owners that have no relevant product revenue, and therefore, our patent applications may provide little or no deterrence as we would not be able to assert them against such entities or individuals. If a third party is able to obtain an injunction preventing us from accessing such third-party intellectual property rights, or if we cannot license or develop alternative technology for any infringing aspect of our business, we would be forced to limit or stop sales of our offerings or cease business activities related to such intellectual property. Although we carry general liability insurance, our insurance may not cover potential claims of this type or may not be adequate to indemnify us for all liability that may be imposed. We cannot predict the outcome of lawsuits and cannot ensure that the results of any such actions will not have an adverse effect on our business, financial condition or results of operations. Any intellectual property litigation to which we might become a party, or for which we are required to provide indemnification, may require us to do one or more of the following:

- cease selling or using offerings that incorporate the intellectual property rights that we allegedly infringe, misappropriate or violate;
- make substantial payments for legal fees, settlement payments, or other costs or damages;
- obtain a license, which may not be available on reasonable terms or at all, to sell or use the relevant technology; or
- redesign the allegedly infringing offerings to avoid infringement, misappropriation or violation, which could be costly, time-consuming, or impossible.

Even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and harm our business and results of operations. Moreover, there could be public announcements of the results of hearings, motions or other interim proceedings or developments, and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our Class A common stock. We expect that the occurrence of infringement claims is likely to grow as the market for our Data Streaming Platform grows. Accordingly, our exposure to damages resulting from infringement claims could increase, and this could further exhaust our financial and management resources.

Risks Related to Our Dependence on Third Parties

We rely on third-party providers of cloud-based infrastructure to host Confluent Cloud. Any failure to adapt our offerings to evolving network architecture technology, disruption in the operations of these third-party providers, limitations on capacity or use of features, or interference with our use could adversely affect our business, financial condition, and results of operations.

We outsource all of the infrastructure relating to Confluent Cloud to AWS, Azure, and GCP, as selected by our customers. Customers of our Confluent Cloud service need to be able to access our service at any time, without interruption or degradation of performance, and we provide them with service-level commitments with respect to uptime. Our Confluent Cloud service depends on the ability of the cloud infrastructure hosted by these third-party providers to allow for our customers' configuration, architecture, features, and interconnection specifications, as well as secure the information stored in these virtual data centers, which is transmitted through third-party internet service providers. Any limitation on the capacity of our third-party hosting providers, including due to technical failures, natural disasters, fraud, or security attacks, could impede our ability to onboard new customers or expand the usage of our existing customers, which could adversely affect our business, financial condition, and results of operations. In addition, our third-party cloud service providers run their own platforms that we access, and we are, therefore, vulnerable to service interruptions at these providers. Any incident affecting our providers' infrastructure, including any incident that may be caused by cyber-attacks, natural disasters, fire, flood, severe storm, earthquake, power loss, telecommunications failures, terrorist or other attacks, and other similar events beyond our control could negatively affect our Confluent Cloud service. In some instances, we may not be able to identify the cause or causes of these performance problems within a period of time acceptable to our customers. A prolonged service disruption affecting our service for any of the foregoing reasons would negatively impact our ability to serve our customers and could damage our reputation with current and potential customers, expose us to liability, cause us to lose customers or otherwise harm our business. We may also incur significant costs for using alternative equipment or taking other actions in preparation for, or in reaction to, events that damage the third-party cloud services we use. Features and functionality for Confluent Cloud may also not be available on the same basis or at all on one or more infrastructure platforms, which may hinder adoption of Confluent Cloud, reduce usage, and harm our brand, business, and results of operations. Additionally, such third-party providers either have or may develop competing products to Confluent Cloud, which may impact our ability to partner with them effectively. Any of the above circumstances or events may harm our reputation, cause customers to stop using our products, impair our ability to increase revenue from existing customers, impair our ability to grow our customer base, and otherwise harm our business, results of operations, and financial condition.

In the event that our service agreements with our third-party cloud service providers are terminated or amended, or there is a lapse of service, elimination of services or features that we utilize, interruption of internet service provider connectivity or damage to such facilities, access to Confluent Cloud could be interrupted and result in significant delays and additional expense as we arrange or create new facilities and services or re-architect our Confluent Cloud service for deployment on a different cloud infrastructure service provider, which could adversely affect our business, financial condition, and results of operations. To the extent that we do not effectively anticipate capacity demands, upgrade our systems as needed, and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, our business and results of operations may be adversely affected.

If we are unable to develop and maintain successful relationships with partners to distribute our products and generate sales opportunities, our business, results of operations, and financial condition could be harmed.

We have established, and intend to continue seeking opportunities for, partnership arrangements with certain channel partners to distribute our products and generate sales opportunities, particularly internationally. We believe that continued growth in our business is dependent upon identifying, developing, and maintaining strategic relationships with our existing and potential channel partners that can drive revenue growth in more geographies and market segments, particularly for government customers, and provide additional features and functionality to our customers. Our agreements with our existing channel partners are non-exclusive, meaning our channel partners may offer customers the products of several different companies, including products that compete with ours. They may also cease marketing our products with limited or no notice and with little or no penalty. We expect that any additional channel partners we identify and develop will be similarly non-exclusive and not bound by any requirement to continue to market our products. As our channel partnerships come to an end or terminate, we may be unable to renew or replace them on comparable terms, or at all. In addition, winding down channel partnerships can result in additional costs, litigation, and negative publicity. If we fail to identify additional channel partners in a timely and cost-effective manner, or at all, or are unable to assist our current and future channel partners in independently distributing and deploying our products, our business, results of operations, and financial condition could be harmed. When we enter into channel partnerships, our partners may be required to undertake some portion of sales, marketing, implementation services, engineering services, support services, or software configuration that we would otherwise provide, including due to regulatory constraints. In such cases, our partner may be less successful than we would have otherwise been absent the arrangement and our ability to influence, or have visibility into, the sales, marketing, and related efforts of our partners may be limited. Further, if our channel partners do not effectively market and sell our products, or fail to meet the needs of our customers, our reputation and ability to grow our business may also be harmed.

We depend and rely on SaaS technologies from third parties to operate our business, and interruptions or performance problems with these technologies may adversely affect our business and results of operations.

We rely on hosted SaaS applications from third parties in order to operate critical functions of our business, including enterprise resource planning, order management, billing, project management, human resources, technical support, and accounting and other operational activities. If these services become unavailable due to extended outages, interruptions or because they are no longer available on commercially reasonable terms, our expenses could increase, our ability to manage finances could be interrupted and our processes for managing sales of our offerings and supporting our customers could be impaired until equivalent services, if available, are identified, obtained, and implemented, all of which could adversely affect our business and results of operations.

Risks Related to Our Employees and Culture

We rely on the performance of highly skilled personnel, including senior management and our engineering, services, sales and technology professionals. If we are unable to retain or motivate key personnel or hire, retain and motivate qualified personnel, our business will be harmed.

We believe our success has depended, and continues to depend, on the efforts and talents of our senior management team, particularly Jay Kreps, our Chief Executive Officer and co-founder, as well as our other key employees in the areas of research and development and sales and marketing.

From time to time, there have been and may in the future be changes in our executive management team or other key employees resulting from the hiring or departure of these personnel. Our executive officers and certain other key employees are generally employed on an at-will basis, which means that these personnel could terminate their employment with us at any time. The loss or transition of one or more of our executives, or the failure by our executive team to effectively work with our employees and lead our company, could harm our business. We also are dependent on the continued service of our existing software engineers because of the complexity of our offerings.

In addition, to execute our growth plan, we must attract and retain highly qualified personnel. Competition for these personnel is intense, especially for engineers experienced in designing and developing cloud-based infrastructure products and for experienced sales professionals. If we are unable to attract such personnel at appropriate locations, we may need to hire in new regions, which may add to the complexity and costs of our business operations. We have experienced attrition, and increased attrition and related challenges have negatively impacted and may continue to negatively impact our growth, and may negatively impact employee morale, any of which may harm our growth, business, results of operations, or financial condition. From time to time, we have experienced, and we expect to continue to experience, difficulty in hiring and retaining employees with appropriate qualifications. Many of the companies with which we compete for experienced personnel have greater resources than we have. Further, inflationary pressures, or stress over economic or geopolitical events such as those the global market is currently experiencing, may result in employee attrition. If we hire employees from competitors or other companies, their former employers may attempt to assert that these employees or we have breached certain legal obligations, resulting in a diversion of our time and resources. In addition, prospective and existing employees often consider the value of the equity awards they receive in connection with their employment. If the actual or perceived value of our equity awards declines, experiences significant volatility, or increases such that current and prospective employees believe there is limited upside to the value of our equity awards, it may adversely affect our ability to recruit and retain key employees. Additionally, in order to retain our existing employees and manage potential attrition, including as a result of stock price decreases and continued market volatility that impact the actual or perceived value of our equity awards, we have issued and may in the future issue additional equity awards, which could negatively impact our results of operations. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and future growth prospects would be harmed.

Our company values have contributed to our success. If we cannot maintain these values as we grow, we could lose certain benefits we derive from them, and our employee turnover could increase, which could harm our business.

We believe that our company values have been and will continue to be a key contributor to our success. We expect to continue to hire across our business in a disciplined manner to support future growth initiatives. Our headcount growth may result in changes to certain employees' adherence to our core company values. If we do not continue to maintain our adherence to our company values as we grow, including through any future acquisitions or other strategic transactions, we may experience increased turnover in a portion of our current employee base, which may compromise our ability to hire future employees. If we do not replace departing employees on a timely basis, our business and growth may be harmed.

Risks Related to Our International Operations

If we are not successful in expanding our operations and customer base internationally, our business and results of operations could be negatively affected.

A component of our growth strategy involves the further expansion of our operations and customer base internationally. Customers outside the United States generated 40% of our revenue for both the years ended December 31, 2024 and 2023. We are continuing to adapt to and develop strategies to expand in international markets, but there is no guarantee that such efforts will have the desired effect. For example, we anticipate that we will need to establish relationships with new channel partners in order to expand into certain countries, and if we fail to identify, establish, and maintain such relationships, we may be unable to execute on our expansion plans. As of December 31, 2024, approximately 46% of our full-time employees were located outside of the United States, with 18% and 8% of our full-time employees located in India and the UK, respectively. We expect that our international activities will continue to grow for the foreseeable future as we continue to pursue opportunities in existing and new international markets, which will require significant dedication of management attention and financial resources. If we invest substantial time and resources to further expand our international operations and are unable to do so successfully and in a timely manner, our business and results of operations will suffer.

We are subject to risks inherent in international operations that can harm our business, results of operations, and financial condition.

Our current and future international business and operations involve a variety of risks, including:

- slower than anticipated availability and adoption of cloud infrastructure or cloud-native products by international businesses;
- changes in a specific country's or region's political or economic conditions, including in the UK as a result of Brexit;
- the need to adapt and localize our offerings for specific countries;
- greater difficulty collecting accounts receivable and longer payment cycles;
- potential changes in trade relations, regulations, or laws;
- unexpected changes in laws, regulatory requirements, or tax laws;
- interest rates, as well as changes in existing and expected interest rates, which may vary across the jurisdictions in which we do business;
- more stringent regulations relating to data privacy, security, and data localization requirements and the unauthorized use of, or access to, commercial and personal information;
- differing and potentially more onerous labor regulations, especially in Europe, where labor laws are generally more advantageous to employees as compared to the United States, including hourly wage and overtime regulations in these locations;
- challenges inherent in efficiently managing, and the increased costs associated with, an increased number of employees over large geographic distances, including the need to implement appropriate systems, policies, benefits, and compliance programs that are specific to each jurisdiction;
- potential changes in laws, regulations, and costs affecting our UK operations and local employees due to Brexit;
- difficulties in managing a business in new markets with diverse cultures, languages, customs, legal systems, alternative dispute systems, and regulatory systems;
- increased travel, real estate, infrastructure, and legal compliance costs associated with international operations;
- currency exchange rate fluctuations and the resulting effect on our revenue and expenses, and challenges to international customers in the event of a rise in the value of the U.S. dollar;
- the cost and risk of entering into hedging transactions;
- limitations on our ability to reinvest earnings from operations in one country to fund the capital needs of our operations in other countries;
- laws and business practices favoring local competitors or general market preferences for local vendors;
- limited or insufficient intellectual property protection or difficulties obtaining, maintaining, protecting, or enforcing our intellectual property rights, including our trademarks and patents;
- political instability, economic sanctions, terrorist activities, or international conflicts, including the ongoing conflicts between Russia and Ukraine and in the Middle East, which have impacted and may continue to impact the operations of our business or the businesses of our customers;
- inflationary pressures, such as those the global market is currently experiencing, which have increased and may continue to increase costs for certain services;
- health epidemics or pandemics, such as the COVID-19 pandemic;
- actual or perceived risk of economic recession;

- exposure to liabilities under anti-corruption and anti-money laundering laws, including the U.S. Foreign Corrupt Practices Act, or FCPA, U.S. bribery laws, the UK Bribery Act, and similar laws and regulations in other jurisdictions; and
- adverse tax burdens and foreign exchange controls that could make it difficult to repatriate earnings and cash.

The occurrence of any one of these risks could harm our international business and, consequently, our results of operations. Additionally, operating in international markets requires significant management attention and financial resources. We cannot be certain that the investment and additional resources required to operate in other countries will produce desired levels of revenue or profitability.

We are exposed to fluctuations in currency exchange rates, which could negatively affect our results of operations.

Substantially all of our subscriptions and services are billed in U.S. dollars, and therefore, our revenue is not subject to foreign currency risk. However, a strengthening of the U.S. dollar could increase the real cost of our offerings to our customers outside of the United States, which could adversely affect our results of operations. In addition, an increasing portion of our operating expenses and balance sheet items are incurred outside the United States. These operating expenses and balance sheet items are denominated in foreign currencies and are subject to fluctuations due to changes in foreign currency exchange rates. We currently hedge a portion of operating expenses denominated in certain currencies against foreign currency exchange rate fluctuations. If we are not able to successfully hedge against the risks associated with fluctuations in these currencies or if we do not hedge a sufficient portion of such operating expenses, our financial condition and results of operations could be adversely affected.

Risks Related to Our Tax, Legal, and Regulatory Environment

We are subject to governmental export and import controls that could impair our ability to compete in international markets or subject us to liability if we violate the controls.

Our offerings are subject to U.S. export controls, including the Export Administration Regulations, and we incorporate encryption technology into our offerings. Our offerings and the underlying technology may be exported outside of the United States only with the required export authorizations, including by license, a license exception, or other appropriate government authorizations, including the filing of an encryption classification request or self-classification report, as applicable.

Furthermore, we are required to comply with economic and trade sanctions laws and regulations administered by governments where our offerings are provided, including the U.S. government (including regulations administered and enforced by the Office of Foreign Assets Control of the U.S. Treasury Department and the U.S. Department of State). For example, following Russia's invasion of Ukraine, the United States and other countries imposed economic sanctions and severe export control restrictions against Russia and Belarus, and the United States and other countries could impose wider sanctions and export restrictions and take other actions should the conflict further escalate. These economic and trade sanctions prohibit or restrict the shipment of most products and services to embargoed jurisdictions or sanctioned parties, unless required export authorizations are obtained. Obtaining the necessary export license or other authorization for a particular sale may be time-consuming and may result in the delay or loss of sales opportunities.

While we have taken certain precautions to prevent our offerings from being provided in violation of export control and sanctions laws, and are in the process of enhancing our policies and procedures relating to export control and sanctions compliance, our products may have been in the past, and could in the future be, provided inadvertently in violation of such laws. Violations of U.S. sanctions or export control regulations can result in significant fines or penalties and possible incarceration for responsible employees and managers.

If our channel partners fail to obtain appropriate import, export, or re-export licenses or permits, we may also be adversely affected through reputational harm, as well as other negative consequences, including government investigations and penalties.

Also, various countries, in addition to the United States, regulate the import and export of certain encryption and other technology, including import and export licensing requirements, and have enacted laws that could limit our ability to distribute our offerings or could limit our end-customers' ability to implement our offerings in those countries. Additionally, export restrictions recently imposed on Russia and Belarus specifically limit the export of encryption software to these locations. Changes in our offerings or future changes in export and import regulations may create delays in the introduction of our offerings in international markets, prevent our end-customers with international operations from deploying our offerings globally or, in some cases, prevent the export or import of our offerings to certain countries, governments or persons altogether. From time to time, various governmental agencies have proposed additional regulation of encryption technology. Any change in export or import regulations, economic sanctions or related legislation, increased export and import controls, or change in the countries, governments, persons or technologies targeted by such regulations, could result in decreased use of our offerings by, or in our decreased ability to export or sell our offerings to, existing or potential end-customers with international operations. Any decreased use of our offerings or limitation on our ability to export or sell our offerings would adversely affect our business, results of operations, and growth prospects.

We are subject to anti-corruption, anti-bribery, anti-money laundering, and similar laws, and non-compliance with such laws can subject us to criminal or civil liability and harm our business, financial condition, and results of operations.

We are subject to the FCPA, U.S. domestic bribery laws, the UK Bribery Act, and other anti-corruption and anti-money laundering laws in the countries in which we conduct activities. Anti-corruption and anti-bribery laws have been enforced aggressively in recent years and are interpreted broadly to generally prohibit companies, their employees, and their third-party intermediaries from authorizing, offering, or providing, directly or indirectly, improper payments or benefits to recipients in the public or private sector. As we increase our international sales and business and sales to the public sector, we may engage with business partners and third-party intermediaries to market our offerings and to obtain necessary permits, licenses, and other regulatory approvals. In addition, we or our third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities. We can be held liable for the corrupt or other illegal activities of these third-party intermediaries, our employees, representatives, contractors, partners, and agents, even if we do not explicitly authorize such activities.

While we have policies and procedures to address compliance with such laws, our employees and agents may take actions in violation of our policies and applicable law, for which we may be ultimately held responsible. As we increase our international sales and business, our risks under these laws may increase.

Detecting, investigating and resolving actual or alleged violations of anti-corruption laws can require a significant diversion of time, resources, and attention from senior management. In addition, noncompliance with anti-corruption, anti-bribery or anti-money laundering laws could subject us to whistleblower complaints, investigations, sanctions, settlements, prosecution, enforcement actions, fines, damages, other civil or criminal penalties or injunctions, suspension, or debarment from contracting with certain persons, reputational harm, adverse media coverage, and other collateral consequences. If any subpoenas or investigations are launched, or governmental or other sanctions are imposed, or if we do not prevail in any possible civil or criminal proceeding, our business, financial condition, and results of operations could be harmed. In addition, responding to any action will likely result in a materially significant diversion of management's attention and resources and significant defense costs and other professional fees.

Changes in laws and regulations related to the internet or changes in the internet infrastructure itself may diminish the demand for our software, and could have a negative impact on our business.

The future success of our business, and particularly Confluent Cloud, depends upon the continued use of the internet as a primary medium for commerce, communication, and business applications. Federal, state or foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws or regulations affecting the use of the internet as a commercial medium. Changes in these laws or regulations could require us to modify our software in order to comply with these changes. In addition, government agencies or private organizations may begin to impose taxes, fees or other charges for accessing the internet or commerce conducted via the internet. These laws or charges could limit the growth of internet-related commerce or communications generally, resulting in reductions in the demand for internet-based solutions such as ours.

In addition, the use of the internet as a business tool could be adversely affected due to delays in the development or adoption of new standards and protocols to handle increased demands of internet activity, security, reliability, cost, ease of use, accessibility, and quality of service. The performance of the internet and its acceptance as a business tool have been adversely affected by "ransomware," "viruses," "worms," "malware," "phishing attacks," "data breaches," and similar malicious programs, behavior, and events, and the internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure. If the use of the internet is adversely affected by these issues, demand for our offerings and related services could suffer.

Our international operations may subject us to greater than anticipated tax liabilities.

We are expanding our international operations to better support our growth into international markets. Our corporate structure and associated transfer pricing policies contemplate future growth in international markets, and consider the functions, risks, and assets of the various entities involved in intercompany transactions. The amount of taxes we pay in different jurisdictions may depend on the application of the tax laws of various jurisdictions, including the United States, to our international business activities, changes in tax rates, new or revised tax laws or interpretations of existing tax laws and policies, and our ability to operate our business in a manner consistent with our corporate structure and intercompany arrangements. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for pricing intercompany transactions pursuant to our intercompany arrangements or disagree with our determinations as to the income and expenses attributable to specific jurisdictions. If such a challenge or disagreement were to occur, and our position was not sustained, we could be required to pay additional taxes, interest, and penalties, which could result in one-time tax charges, higher effective tax rates, reduced cash flows, and lower overall profitability of our operations. Our financial statements could fail to reflect adequate reserves to cover such a contingency.

Changes in tax laws or tax rulings could harm our financial position, results of operations and cash flows.

The tax regimes we are subject to or operate under, including income and non-income taxes, are unsettled and may be subject to significant change. Changes in tax laws, regulations, or rulings, or changes in interpretations of existing laws and regulations, could materially affect our financial position and results of operations. In addition, the European Union and other countries (including those in which we operate) have enacted or have committed to enacting the Organisation for Economic Co-operation and Development/G20 Framework's Pillar Two 15% global minimum tax, which may increase our tax expense in future years. While we do not anticipate that this will have a material impact on our tax provision or effective tax rate in the short-term, we will continue to monitor evolving tax legislation in the jurisdictions in which we operate and may experience adverse impacts in the future. These proposals, recommendations and enactments include changes to the existing framework in respect of income taxes, as well as new types of non-income taxes (such as taxes based on a percentage of revenue), which could apply to our business. If U.S. or other foreign tax authorities change applicable tax laws or successfully challenge how or where our profits are currently recognized, our overall taxes could increase, and our business, financial condition or results of operations may be adversely impacted. Due to the large and expanding scale of our international business activities, these types of changes to the taxation of our activities could increase our worldwide effective tax rate, increase the amount of taxes imposed on our business, and harm our financial position. Such changes may also apply retroactively to our historical operations and result in taxes greater than the amounts estimated and recorded in our financial statements. Any of these outcomes could harm our financial position and results of operations.

We could be required to collect additional sales taxes or be subject to other tax liabilities that may increase the costs our customers would have to pay for our offerings and adversely affect our results of operations.

An increasing number of states have considered or adopted laws that impose tax collection obligations on out-of-state companies. Online sellers can be required to collect sales and use tax despite not having a physical presence in the buyer's state. States or local governments may interpret existing laws, or have adopted or may adopt new laws, requiring us to calculate, collect and remit taxes on sales in their jurisdictions. A successful assertion by one or more taxing jurisdictions requiring us to collect taxes where we presently do not do so, or to collect more taxes in a jurisdiction in which we currently do collect some taxes, could result in substantial tax liabilities, including taxes on past sales, as well as penalties and interest. The imposition by state or local governments of sales tax collection obligations on out-of-state sellers also could create additional administrative burdens for us, put us at a competitive disadvantage if they do not impose similar obligations on our competitors, and decrease our future sales, which could have a material adverse effect on our business and results of operations.

Our ability to use our net operating losses to offset future taxable income may be subject to certain limitations.

As of December 31, 2024, we had net operating loss (NOL) carryforwards for federal and state income tax purposes of \$1,403.6 million and \$560.8 million, respectively, which may be available to offset taxable income in the future. The federal NOLs are carried forward indefinitely, but are limited to 80% of annual taxable income. A portion of the state NOLs begin to expire in various years beginning in 2025 if not utilized. In addition, as of December 31, 2024, we had foreign NOL carryforwards of \$58.9 million which can be carried forward indefinitely. A lack of future taxable income would adversely affect our ability to utilize these NOLs before they expire.

In general, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, a corporation that undergoes an "ownership change" (as defined under Section 382 of the Code and applicable Treasury Regulations) is subject to limitations on its ability to utilize its pre-change NOLs to offset future taxable income. We may experience a future ownership change under Section 382 of the Code that could affect our ability to utilize the NOLs to offset our income. Furthermore, our ability to utilize NOLs of companies that we have acquired or may acquire in the future may be subject to limitations. There is also a risk that due to regulatory changes, such as suspensions on the use of NOLs or other unforeseen reasons, our existing NOLs could expire or otherwise be unavailable to reduce future income tax liabilities, including for state tax purposes. For these reasons, we may not be able to utilize a material portion of the NOLs reflected on our balance sheet, even if we attain profitability, which could potentially result in increased future tax liability to us and could adversely affect our results of operations and financial condition.

Changes in our effective tax rate or tax liability may have an adverse effect on our results of operations.

We are subject to income taxes in the United States and various foreign jurisdictions. The determination of our worldwide provision for income taxes and other tax liabilities requires significant judgment by management, and there are many transactions where the ultimate tax determination is uncertain. We believe that our provision for income taxes is reasonable, but the ultimate tax outcome may differ from the amounts recorded in our consolidated financial statements and may materially affect our financial results in the period or periods in which such outcome is determined.

Our effective tax rate could increase due to several factors, including:

- changes in the relative amounts of income before taxes in the various jurisdictions in which we operate that have differing statutory tax rates;
- changes in tax laws, tax treaties, and regulations or the interpretation of them, including the Tax Act;
- changes to our assessment about our ability to realize our deferred tax assets that are based on estimates of our future results, the prudence and feasibility of possible tax planning strategies, and the economic and political environments in which we do business;
- the effects of acquisitions and their integrations;
- the outcome of current and future tax audits, examinations or administrative appeals; and
- limitations or adverse findings regarding our ability to do business in some jurisdictions.

Any of these developments could adversely affect our results of operations.

Risks Related to Our Accounting Policies and Internal Controls

Our reported financial results may be adversely affected by changes in generally accepted accounting principles, or GAAP, in the United States.

GAAP are subject to interpretation by the Financial Accounting Standards Board, the SEC, and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported results of operations and could affect the reporting of transactions already completed before the announcement of a change.

If our estimates or judgments relating to our critical accounting policies prove to be incorrect, our results of operations could be adversely affected.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes appearing elsewhere in this Annual Report. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as described in “Note 2 - Basis of Presentation and Summary of Significant Accounting Policies” in the Notes to Consolidated Financial Statements in this Annual Report. The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the market price of our Class A common stock.

We are obligated to develop and maintain proper and effective internal control over financial reporting, and any failure to maintain the adequacy of these internal controls may adversely affect investor confidence in our company and, as a result, the value of our Class A common stock.

We are required, pursuant to Section 404 of the Sarbanes-Oxley Act, or Section 404, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting. In addition, our independent registered public accounting firm is required to attest to the effectiveness of our internal control over financial reporting. The process of compiling the system and process documentation necessary to perform the evaluation required under Section 404 is costly and challenging. We have established an internal audit group, and as we continue to grow, we have hired, and may continue to hire, additional accounting and financial staff with appropriate public company experience and technical accounting knowledge.

During the evaluation and testing process of our internal controls, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to certify that our internal control over financial reporting is effective. We cannot assure you that there will not be material weaknesses in our internal control over financial reporting in the future. Failure to maintain internal control over financial reporting, including historical or future control deficiencies, could severely inhibit our ability to accurately report our financial condition or results of operations. If we are unable to conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm determines we have a material weakness in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, the market price of our Class A common stock could decline, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.

Risks Related to Ownership of Our Class A Common Stock

The dual class structure of our common stock as contained in our amended and restated certificate of incorporation has the effect of concentrating voting control with those stockholders who held our stock prior to the IPO, including our executive officers, employees, and directors and their affiliates, and limiting your ability to influence corporate matters, which could adversely affect the trading price of our Class A common stock.

Our Class B common stock has 10 votes per share, and our Class A common stock has one vote per share. As of December 31, 2024, stockholders who hold shares of Class B common stock, including our executive officers and directors and their affiliates, together hold approximately 69.2% of the voting power of our outstanding capital stock, and our Chief Executive Officer, Mr. Kreps, beneficially owns approximately 7.1% of our outstanding classes of common stock as a whole, but controls approximately 23.4% of the voting power of our outstanding common stock. As a result, our executive officers, directors, and other affiliates and potentially our Chief Executive Officer on his own have significant influence over our management and affairs and over all matters requiring stockholder approval, including election of directors and significant corporate transactions, such as a merger or other sale of the company or our assets, for the foreseeable future. Even if Mr. Kreps is no longer employed with us, he will continue to have the same influence over matters requiring stockholder approval.

In addition, the holders of Class B common stock collectively will continue to be able to control all matters submitted to our stockholders for approval even if their stock holdings represent less than 50% of the outstanding shares of our common stock. Because of the 10-to-1 voting ratio between our Class B common stock and Class A common stock, the holders of our Class B common stock collectively will continue to control a majority of the combined voting power of our common stock even when the shares of Class B common stock represent as little as 10% of all outstanding shares of our Class A common stock and Class B common stock. This concentrated control will limit your ability to influence corporate matters for the foreseeable future, and, as a result, the market price of our Class A common stock could be adversely affected.

Future transfers or voluntary conversions by holders of shares of Class B common stock will generally result in those shares converting to shares of Class A common stock, which will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term. Certain permitted transfers, as specified in our amended and restated certificate of incorporation, will not result in shares of Class B common stock automatically converting to shares of Class A common stock, including certain estate planning transfers as well as transfers to our founders or our founders' estates or heirs upon death or incapacity of such founder. If, for example, Mr. Kreps (or family trusts to which he has or were to transfer shares of Class B common stock) retain a significant portion of his holdings of Class B common stock for an extended period of time, he (or such trusts) could, in the future, control a majority of the combined voting power of our Class A common stock and Class B common stock. As a board member, Mr. Kreps owes a fiduciary duty to our stockholders and must act in good faith in a manner he reasonably believes to be in the best interests of our stockholders. As a stockholder, Mr. Kreps is entitled to vote his shares in his own interests, which may not always be in the interests of our stockholders generally.

Our stock price may be volatile, and the value of our Class A common stock may decline.

The market price of our Class A common stock may be highly volatile and may fluctuate or decline substantially as a result of a variety of factors, some of which are beyond our control, including:

- actual or anticipated fluctuations in our financial condition or results of operations, including due to fluctuations in usage of Confluent Cloud and strategic shifts in our focus on growth versus operating efficiency, margin improvement, and profitability;
- variance in our financial performance, including sales growth and operating margins, from our forecasts or the expectations of securities analysts;
- changes in our revenue mix;
- changes in the pricing of our offerings;
- changes in our projected operating and financial results;
- changes in laws or regulations applicable to our offerings;
- seasonality in sales, customer implementations and results of operations;
- announcements by us or our competitors of significant business developments, acquisitions, or new offerings;
- significant data breaches, disruptions to or other incidents involving our offerings;
- our involvement in litigation or regulatory actions;
- future sales of our Class A common stock and Class B common stock by us or our stockholders;
- changes in senior management or key personnel;
- the trading volume of our Class A common stock;
- financial results, changes in operating performance and stock market valuations of technology companies in our industry segment, including our partners and competitors;
- changes in the anticipated future size and growth rate of our market;
- general political, social, economic and market conditions, in both domestic and our foreign markets, including effects of high interest rates, inflationary pressures, bank failures and macroeconomic uncertainty and challenges; and
- actual or perceived risk of economic recession.

Broad market and industry fluctuations, as well as general economic, political, regulatory and market conditions, may also negatively impact the market price of our Class A common stock. In addition, technology stocks have historically experienced high levels of volatility. In the past, companies that have experienced volatility in the market price of their securities have been subject to securities class action litigation. We may be the target of this type of litigation in the future, which could result in substantial expenses and divert our management's attention.

Future sales of our Class A common stock in the public market could cause the market price of our Class A common stock to decline.

Sales of a substantial number of shares of our Class A common stock in the public market, or the perception that these sales might occur, could depress the market price of our Class A common stock and could impair our ability to raise capital through the sale of additional equity securities. Many of our equity holders who held our capital stock prior to completion of the IPO have substantial unrecognized gains on the value of the equity they hold based on recent market prices of our shares of Class A common stock, and therefore, they may take steps to sell their shares or otherwise secure the unrecognized gains on those shares. We are unable to predict the timing of or the effect that such sales may have on the prevailing market price of our Class A common stock.

Additionally, the conversion of some or all of the notes may dilute the ownership interests of our stockholders. Upon conversion of the notes, we have the option to pay or deliver, as the case may be, cash, shares of our Class A common stock, or a combination of cash and shares of our Class A common stock. If we elect to settle our conversion obligation in shares of our Class A common stock or a combination of cash and shares of our Class A common stock, any sales in the public market of our Class A common stock issuable upon such conversion could adversely affect prevailing market prices of our Class A common stock. In addition, the existence of the notes may encourage short selling by market participants because the conversion of the notes could be used to satisfy short positions, or anticipated conversion of the notes into shares of our Class A common stock could depress the price of our Class A common stock.

In addition, as of December 31, 2024, up to 23,420,926 shares of our Class B common stock and up to 20,300,422 shares of our Class A common stock may be issued upon exercise of outstanding stock options or vesting and settlement of outstanding RSUs, and 54,419,060 shares of our Class A common stock are available for future issuance under our 2021 Plan and our 2021 ESPP, and will become eligible for sale in the public market to the extent permitted by the provisions of various vesting schedules, exercise limitations and Rule 144 and Rule 701 under the Securities Act. In addition, many of our employees have elected to automatically convert their shares of Class B common stock upon receipt following exercise or settlement of equity awards, as applicable. We have registered all of the shares of Class A common stock and Class B common stock issuable upon exercise of outstanding options and all of the shares of Class A common stock issuable upon vesting and settlement of restricted stock units, as well as other equity incentive awards we may grant in the future for public resale under the Securities Act. Shares of Class A common stock will become eligible for sale in the public market to the extent such options are exercised and restricted stock units settle, subject to compliance with applicable securities laws. Our 0% convertible senior notes due 2027 will also become convertible at the option of the holders, subject to certain limitations and restrictions, prior to October 15, 2026. If these additional shares of Class A common stock are sold, or if it is perceived that they will be sold, in the public market, the trading price of our Class A common stock could decline.

Our issuance of additional capital stock in connection with financings, acquisitions, investments, our equity incentive plans or otherwise will dilute all other stockholders.

We expect to issue additional capital stock in the future that will result in dilution to all other stockholders. We expect to grant equity awards to employees, officers and directors under our equity incentive plans. We may also raise capital through equity financings in the future. As part of our business strategy, we have in the past and may in the future acquire or make investments in companies, products or technologies and issue equity securities to pay for any such acquisition or investment. Any such issuances of additional capital stock may cause stockholders to experience significant dilution of their ownership interests and the per share value of our Class A common stock to decline.

We do not intend to pay dividends for the foreseeable future and, as a result, your ability to achieve a return on your investment will depend on appreciation in the price of our Class A common stock.

We have never declared or paid any cash dividends on our capital stock, and we do not intend to pay any cash dividends in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, you may need to rely on sales of our Class A common stock after price appreciation, which may never occur, as the only way to realize any future gains on your investment.

We incur significant costs as a public company, and our management is required to devote substantial time to compliance with our public company responsibilities and corporate governance practices.

As a public company, we incur significant legal, accounting, and other expenses. The Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of the Nasdaq Global Select Market, and other applicable securities rules and regulations impose various requirements on public companies. Our management and other personnel devote a substantial amount of time to compliance with these requirements. Moreover, these rules and regulations have increased our legal and financial compliance costs and will make some activities more time-consuming and costly. We cannot predict or estimate the amount of additional costs we will incur as a public company or the specific timing of such costs.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of our company more difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our Class A common stock.

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws may have the effect of preventing a change of control or changes in our management. Our amended and restated certificate of incorporation and amended and restated bylaws include provisions that:

- authorize our board of directors to issue, without further action by the stockholders, shares of undesignated preferred stock with terms, rights, and preferences determined by our board of directors that may be senior to our Class A common stock;
- require that any action to be taken by our stockholders be effected at a duly called annual or special meeting and not by written consent;
- specify that special meetings of our stockholders can be called only by our board of directors, the chairperson of our board of directors, our chief executive officer, or our president (in the absence of a chief executive officer);
- establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors;
- establish that our board of directors is divided into three classes, with each class serving three-year staggered terms;
- prohibit cumulative voting in the election of directors;
- provide that our directors may be removed for cause only upon the vote of the holders of at least a majority of our outstanding shares of voting stock;

- provide that vacancies on our board of directors may be filled only by the affirmative vote of a majority of directors then in office, even though less than a quorum, or by a sole remaining director; and
- require the approval of our board of directors or the holders of at least 66 2/3% of the voting power of our outstanding shares of voting stock to amend our bylaws and certain provisions of our certificate of incorporation.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally, subject to certain exceptions, prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any “interested” stockholder for a period of three years following the date on which the stockholder became an “interested” stockholder. Any of the foregoing provisions could limit the price that investors might be willing to pay in the future for shares of our Class A common stock, and they could deter potential acquirers of our company, thereby reducing the likelihood that holders of our Class A common stock would receive a premium for their shares of our Class A common stock in an acquisition.

Our amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware and the federal district courts of the United States of America as the exclusive forums for certain disputes between us and our stockholders, which restricts our stockholders' ability to choose the judicial forum for disputes with us or our directors, officers, or employees.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware (or, if and only if the Court of Chancery of the State of Delaware lacks subject matter jurisdiction, any state court located within the State of Delaware or, if and only if all such state courts lack subject matter jurisdiction, the federal district court for the District of Delaware) is the sole and exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: (i) any derivative action or proceeding brought on our behalf; (ii) any action or proceeding asserting a claim of breach of a fiduciary duty owed by any of our current or former directors, officers, or other employees to us or our stockholders, or any action asserting a claim for aiding and abetting such breach of fiduciary duty; (iii) any action or proceeding asserting a claim against us or any of our current or former directors, officers or other employees arising out of or pursuant to any provision of the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws; (iv) any action or proceeding to interpret, apply, enforce or determine the validity of our amended and restated certificate of incorporation or our amended and restated bylaws (including any right, obligation, or remedy thereunder); (v) any action or proceeding as to which the Delaware General Corporation Law confers jurisdiction to the Court of Chancery of the State of Delaware; and (vi) any action or proceeding asserting a claim against us or any of our current or former directors, officers, or other employees that is governed by the internal affairs doctrine, in all cases to the fullest extent permitted by law and subject to the court's having personal jurisdiction over the indispensable parties named as defendants. This provision does not apply to suits brought to enforce a duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. In addition, to prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the federal district courts of the United States of America are the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act, including all causes of action asserted against any defendant named in such complaint. For the avoidance of doubt, this provision is intended to benefit and may be enforced by us, our officers and directors, the underwriters to any offering giving rise to such complaint, and any other professional entity whose profession gives authority to a statement made by that person or entity and who has prepared or certified any part of the documents underlying the offering. However, as Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder, there is uncertainty as to whether a court would enforce such provision. Our amended and restated certificate of incorporation further provides that any person or entity holding, owning or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to these provisions. Investors also cannot waive compliance with the federal securities laws and the rules and regulations thereunder.

These choice of forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring such a claim arising under the Securities Act against us, our directors, officers, or other employees in a venue other than in the federal district courts of the United States of America. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our amended and restated certificate of incorporation. This may require significant additional costs associated with resolving such action in other jurisdictions and we cannot assure you that the provisions will be enforced by a court in those other jurisdictions. If a court were to find either exclusive-forum provision in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur further significant additional costs associated with resolving the dispute in other jurisdictions, all of which could harm our business.

Risks Related to Our Convertible Senior Notes

We may not have the ability to raise the funds necessary to settle conversions of the notes in cash or to repurchase the notes upon a fundamental change, and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of the notes.

Holders of the notes have the right, subject to certain conditions and limited exceptions, to require us to repurchase all or a portion of their notes upon the occurrence of a fundamental change at a fundamental change repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid special interest. In addition, upon conversion of the notes, unless we elect to deliver solely shares of our Class A common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the notes being converted. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of notes surrendered therefor or pay cash with respect to notes being converted. In addition, our ability to repurchase the notes or to pay cash upon conversions of the notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to repurchase notes at a time when the repurchase is required by the indenture or to pay any cash payable on future conversions of the notes as required by the indenture would constitute a default under the indenture. A default under the indenture governing the notes or the fundamental change itself could also lead to a default under agreements governing our future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the notes or make cash payments upon conversions thereof.

The conditional conversion feature of the notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the notes is triggered, holders of notes will be entitled to convert their notes at any time during specified periods at their option. If one or more holders elect to convert their notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our Class A common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

Certain provisions in the indenture governing the notes may delay or prevent an otherwise beneficial takeover attempt of us.

Certain provisions in the indenture governing the notes may make it more difficult or expensive for a third party to acquire us. For example, the indenture governing the notes generally requires us to repurchase the notes for cash upon the occurrence of a fundamental change and, in certain circumstances, to increase the conversion rate for a holder that converts its notes in connection with a make-whole fundamental change. A takeover of us may trigger the requirement that we repurchase the notes and/or increase the conversion rate, which could make it costlier for a potential acquirer to engage in such takeover. Such additional costs may have the effect of delaying or preventing a takeover of us that would otherwise be beneficial to investors.

General Risk Factors

Any future litigation against us could be costly and time-consuming to defend.

We may become subject to legal proceedings and claims that arise in the ordinary course of business, including but not limited to, intellectual property claims, including trade secret misappropriation and breaches of confidentiality terms, alleged breaches of non-competition or non-solicitation terms, or employment claims made by our current or former employees. Litigation might result in substantial costs and may divert management's attention and resources, which might seriously harm our business, financial condition, and results of operations. Insurance might not cover such claims, might not provide sufficient payments to cover all the costs to resolve one or more such claims, and might not continue to be available on terms acceptable to us. A claim brought against us that is uninsured or underinsured could result in unanticipated costs, potentially harming our business, financial position, and results of operations.

If securities or industry analysts do not publish research or publish unfavorable or inaccurate research about our business, the market price and trading volume of our Class A common stock could decline.

The market price and trading volume of our Class A common stock is heavily influenced by the way analysts interpret our financial information and other disclosures. We do not have control over these analysts. If industry analysts cease coverage of us, our stock price would be negatively affected. If securities or industry analysts do not publish research or reports about our business, downgrade our Class A common stock, or publish negative reports about our business, our stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our Class A common stock could decrease, which might cause our stock price to decline and could decrease the trading volume of our Class A common stock.

Our business could be disrupted by catastrophic events.

Occurrence of any catastrophic event, including earthquake, fire, flood, tsunami, or other weather event, power loss, telecommunications failure, software or hardware malfunction, cyber-attack, war, or terrorist attack, explosion, or pandemic, such as the COVID-19 pandemic, could impact our business. In particular, our corporate headquarters are located in the San Francisco Bay Area, a region known for seismic activity, and are thus vulnerable to damage in an earthquake. Our insurance coverage may not compensate us for losses that may occur in the event of an earthquake or other significant natural disaster. Additionally, we rely on third-party cloud providers and enterprise applications, technology systems, and our website for our development, marketing, operational support, hosted services, and sales activities. In the event of a catastrophic event, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in our product development, lengthy interruptions in our services, and security incidents, all of which could have an adverse effect on our future results of operations. For example, the COVID-19 pandemic and/or the precautionary measures that we, our customers, and the governmental authorities adopted resulted in operational challenges, including, among other things, adapting to remote work arrangements. If we are unable to develop adequate plans to ensure that our business functions continue to operate during and after a disaster and to execute successfully on those plans in the event of a disaster or emergency, our business would be harmed.

Climate change may have an impact on our business.

While we seek to mitigate our business risks associated with climate change (such as drought, wildfires, hurricanes, increased storm severity and sea level rise), we recognize that there are inherent climate-related risks wherever business is conducted. Our primary locations may be vulnerable to the adverse effects of climate change. For example, certain of our offices have experienced, and are projected to continue to experience, climate-related events at an increasing frequency, including drought, heat waves, air quality and power impacts from wildfires. Changing market dynamics, global policy developments and the increasing frequency and impact of extreme weather events on critical infrastructure in the U.S. and elsewhere have the potential to disrupt our business, the business of our third-party suppliers and the business of our customers, and may cause us to experience losses and additional costs to maintain or resume operations. In addition, we may be subject to increased regulations, reporting requirements, standards or expectations regarding the environmental impacts of our business.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Risk Management and Strategy

We have implemented and maintain various information security processes designed to identify, assess, and manage material risks from cybersecurity threats to our critical computer networks, third party hosted services, communications systems, hardware and software, and our critical data, including intellectual property, personal information, confidential information that is proprietary, strategic or competitive in nature, and customer data (“Information Systems and Data”).

The Chief Information Security Officer, in coordination with our Chief Financial Officer, Chief Accounting Officer, certain members of the Company’s legal team and certain third-party service providers (“Cybersecurity Risk Management Team”), is primarily responsible for identifying, assessing, and managing the Company’s cybersecurity threats and risks. Through our Cybersecurity Risk Management Team, we identify and assess risks from cybersecurity threats by monitoring and evaluating our threat environment and the Company’s risk profile using various methods including, for example manual and automated tools, conducting scans of threat environment, use of external intelligence feeds, internal and third-party threat assessments and evaluating our industry’s risk profile, subscribing to reports and services that identify cybersecurity threats, evaluating threats reported to us, and conducting red/blue team testing and tabletop incident response exercises.

Depending on the particular environment and system, we implement and maintain various technical, physical, and organizational measures, processes, standards, and policies designed to manage and mitigate material risks from cybersecurity threats to our Information Systems and Data, including, for example: network security controls, system monitoring, incident detection and response, incident response policy, disaster recovery and business continuity plans, vulnerability management policy, penetration testing, encryption of data, data segregation controls, employee training, physical security cyber insurance, vendor risk management program, risk assessments, implementation of security standards/certifications, access controls, dedicated cybersecurity staff, and asset management, tracking and disposal.

Our assessment and management of material risks from cybersecurity threats are integrated into the Company’s overall risk management processes. For example, security management works with senior management to prioritize our risk management processes and mitigate cybersecurity threats that are more likely to lead to a material impact to our business, and reports to the audit committee of the board of directors, which reviews our overall risk management framework and programs.

We use third-party service providers to assist us from time to time to identify, assess, and manage material risks from cybersecurity threats, including for example threat intelligence service providers, cybersecurity consultants, cybersecurity software providers, penetration testing firms, forensic investigators, dark web monitoring services, and professional service firms, including legal counsel.

We use third-party service providers to perform a variety of functions throughout our business, such as application providers and hosting companies. We have a vendor management program to manage cybersecurity risks associated with our use of these providers. The program includes risk assessments for each vendor, security questionnaires, audits, and review of security reports. Depending on the nature of the services provided, the sensitivity of the Information Systems and Data at issue, and the identity of the provider, our vendor management process may involve different levels of assessment designed to help identify cybersecurity risks associated with a provider and impose contractual obligations related to cybersecurity on the provider.

For a description of the risks from cybersecurity threats that may materially affect the Company and how they may do so, see our risk factors under Part 1. Item 1A. Risk Factors in this Annual Report on Form 10-K, including “Risks Related to Cybersecurity.”

Governance

Our board of directors addresses the Company's cybersecurity risk management as part of its general oversight function. The board of directors' audit committee is responsible for overseeing the Company's cybersecurity risk management processes, including oversight and mitigation of risks from cybersecurity threats.

Our cybersecurity risk assessment and management processes are implemented and maintained by certain Company management, including the Chief Information Security Officer, who oversees the Company's Trust and Security department, and the members of the Cybersecurity Risk Management Team. Our Trust and Security department has significant collective experience in relevant computer science and engineering disciplines and cybersecurity matters.

The Chief Information Security Officer is responsible for hiring appropriate personnel, helping to integrate cybersecurity risk considerations into the Company's overall risk management strategy, and communicating key priorities to relevant personnel. The Chief Information Security Officer is also responsible for approving budgets, helping to prepare for cybersecurity incidents, approving cybersecurity processes, and reviewing security assessments and other security-related reports.

Our cybersecurity incident response and vulnerability management processes and policies are designed to escalate certain cybersecurity incidents to members of management depending on the circumstances, including senior management. Senior management works with the Company's incident response team to help the Company mitigate and remediate cybersecurity incidents of which they are notified. In addition, the Company's incident response and vulnerability management processes and policies include reporting to the management disclosure committee and to the audit committee of the board of directors for certain cybersecurity incidents.

The audit committee receives regular reports from the Chief Information Security Officer concerning the Company's significant cybersecurity threats and risks and the processes the Company has implemented to address them. The audit committee also receives various reports, summaries or presentations related to cybersecurity threats, risks, and mitigation measures.

Item 2. Properties

Our headquarters are located in Mountain View, California, where we lease approximately 75,475 square feet pursuant to a lease which terminates in 2026. We also lease other offices including in London, England, Bengaluru, India, Dubai, United Arab Emirates, and Singapore. Additionally, we hold many office service memberships in numerous other locations globally. We do not own any real property. We believe that our facilities are adequate to meet our current needs.

Item 3. Legal Proceedings

From time to time, we have been and will continue to be subject to legal proceedings and claims. We are not presently a party to any legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, results of operations, financial condition, or cash flows. Defending such legal proceedings is costly and can impose a significant burden on management and employees. The results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

Item 4. Mine Safety Disclosures

None.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

Market Information

Our Class A common stock has been listed on the Nasdaq Global Select Market under the symbol “CFLT” since June 24, 2021. Prior to that date, there was no public trading market for our Class A common stock.

Holders of Record

As of February 4, 2025, there were 64 stockholders of record of our Class A common stock and 27 stockholders of record of our Class B common stock. The actual number of holders of our Class A common stock is greater than the number of record holders and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers or other nominees. The number of holders of record presented here also does not include stockholders whose shares may be held in trust by other entities.

Dividends

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain all available funds and future earnings, if any, to fund the development and expansion of our business, and we do not anticipate paying any cash dividends in the foreseeable future. Any future determination regarding the declaration and payment of dividends, if any, will be at the discretion of our board of directors and will depend on then-existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects, and other factors our board of directors may deem relevant. In addition, our ability to pay dividends may be restricted by agreements we may enter into in the future.

Recent Sales of Unregistered Securities

None.

Use of Proceeds

On June 28, 2021, we closed our IPO of 23,000,000 shares of Class A common stock at an offering price of \$36.00 per share, resulting in aggregate gross proceeds to us of \$828.0 million, before deducting underwriting discounts and commissions and offering expenses. All of the shares issued and sold in our IPO were registered under the Securities Act pursuant to a registration statement on Form S-1, as amended (File No. 333-256693), which was declared effective by the SEC on June 23, 2021. There has been no material change in the planned use of proceeds from our IPO from those disclosed in our final prospectus for our IPO dated as of June 23, 2021 and filed with the SEC pursuant to Rule 424(b)(4) on June 25, 2021.

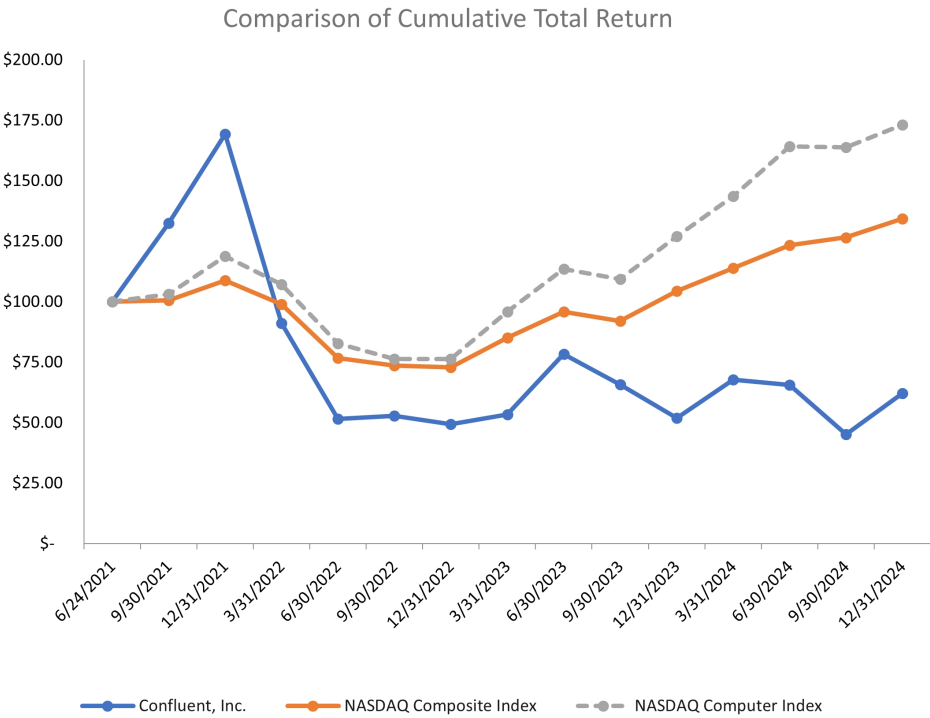
Issuer Purchases of Equity Securities

None.

Stock Performance Graph

The following shall not be deemed “soliciting material” or to be “filed” with the SEC, for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any of our filings under the Securities Act.

The performance graph below compares the cumulative total return on our Class A common stock from June 24, 2021 (the date our Class A common stock commenced trading on the Nasdaq Global Select Market) through December 31, 2024 with (i) the Nasdaq Composite Index and (ii) the Nasdaq Computer Index, assuming the investment of \$100 in our Class A common stock and in both of the other indices on June 24, 2021 and the reinvestment of dividends. The stock price performance on this performance graph is not necessarily indicative of future stock price performance.



Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. This discussion, particularly information with respect to our future results of operations or financial condition, business strategy and plans, and objectives of management for future operations, includes forward-looking statements that involve risks and uncertainties as described under the heading “Special Note About Forward-Looking Statements” in this Annual Report on Form 10-K. You should review the disclosure under the heading “Risk Factors” in this Annual Report on Form 10-K for a discussion of important factors that could cause our actual results to differ materially from those anticipated in these forward-looking statements. Unless the context otherwise requires, all references in this Annual Report on Form 10-K to “we,” “us,” “our,” “our company,” and “Confluent” refer to Confluent, Inc. and its consolidated subsidiaries. Unless otherwise indicated, references to our “common stock” include our Class A common stock and Class B common stock.

A discussion regarding our financial condition and results of operations for the year ended December 31, 2024 compared to the year ended December 31, 2023 is presented below. A discussion regarding our financial condition and results of operations for the year ended December 31, 2023 compared to the year ended December 31, 2022 can be found in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 filed with the Securities and Exchange Commission (“SEC”) on February 21, 2024.

Overview

Confluent is pioneering the Data Streaming Platform category, setting data in motion to power the world’s real-time operations and analytics. We have established a new category of data infrastructure and built a comprehensive platform that enables organizations to stream, connect, process, and govern data in motion across their enterprise. The Data Streaming Platform is designed to serve as the intelligent connective tissue linking all of the applications, systems, and data layers within the company into a single central nervous system of real-time streams of data. This Data Streaming Platform is emerging as one of the most strategic parts of the next-generation technology stack, enabling modern companies to serve their customers, improve their offerings, outpace their competition, and win in the digital-first and AI-powered world.

Confluent is designed to act as the nexus of real-time data, from every source, allowing it to stream across the organization and enabling applications to harness it to power real-time customer experiences and data-driven business operations. The Data Streaming Platform delivers four key capabilities, Stream, Connect, Process, and Govern, that reinforce each other to create a comprehensive platform for data in motion. Streaming is the foundation, enabling data to continuously move in real-time to power modern business operations and applications. As companies implement more and more data streams they must connect a growing number of systems, applications, and data sources with the ultimate goal of building a complete network that spans the entire technology stack of the company. Once the network of connected systems and applications begins to grow, companies increasingly need to process data in real-time in order to transform, clean, and augment the data as it moves from one system to another. Finally, as the scale and scope of streaming increases, companies need to govern these data assets to ensure they are discoverable, secure, compliant, and trustworthy as they power a growing number of critical applications within the company. As the adoption of Confluent’s Data Streaming Platform grows within an organization, the network effects we generate create even more value to the organization as a whole. We believe that Confluent, over time, will become the central nervous system for modern digital enterprises, providing ubiquitous real-time connectivity and powering real-time applications across the enterprise.

We generate our revenue primarily from the sale of subscriptions to our Data Streaming Platform, designed to span across all environments. Confluent Cloud is a fully-managed, cloud-native software-as-a-service (“SaaS”) offering available on all of the leading cloud providers. Confluent Platform is an enterprise-ready, self-managed software offering that can be deployed in our customers’ on-premise, private cloud, and public cloud environments. WarpStream is a Bring Your Own Cloud (“BYOC”) managed service offering where the raw data resides inside a customer’s own cloud environment. All of these offerings can be leveraged both individually in their respective environments and collectively as a single unified Data Streaming Platform.

Confluent Cloud and WarpStream customers may purchase subscriptions either without a commitment contract on a month-to-month basis, which we refer to as pay-as-you-go, or under a usage-based commitment contract of at least one year in duration, in which customers commit to specified per-usage rates. Pay-as-you-go customers are billed, and revenue from them is recognized, based on usage. Customers with usage-based commitments are typically billed annually in advance or monthly in arrears, and we recognize revenue from such subscriptions based on usage by the customer. As a result, our revenue may fluctuate from period to period due to varying patterns of customer consumption. Confluent Platform customers receive access to our proprietary features and various tiers of customer support. Our subscriptions primarily have one-year terms and are generally billed annually in advance.

We are focused on the acquisition of new customers and expanding within our current customers. Our “consumption-oriented” go-to-market model benefits from our self-service motions driven by our cloud-native platform offerings, our widespread mindshare among developers through Apache Kafka®, Apache Flink®, and Apache Iceberg®, community downloads, and our enterprise sales force. We acquire new customers through seamless and frictionless self-service cloud adoption and free cloud trials, as well as community downloads. For example, after users get started with our free cloud trial, they can easily convert to become paying customers either online on a pay-as-you-go model or with a commitment contract. Once customers see the benefits of our platform for their initial use cases, we believe that they will expand into other use cases and lines of business, divisions, and geographies. Our deep technical expertise, coupled with our product capabilities and laser focus on customer outcomes, enable us to form strategic partnerships with our customers to guide and accelerate this journey. This expansion often generates a natural network effect in which the value of our Data Streaming Platform to a customer increases as more use cases are adopted, more users and teams are onboarded, more applications and systems are connected, and more data is added. We had approximately 5,800 and 4,960 customers as of December 31, 2024 and 2023, respectively, representing year-over-year growth of 17%. We have experienced significant growth, with revenue of \$963.6 million and \$777.0 million for the years ended December 31, 2024 and 2023, respectively, representing year-over-year growth of 24%.

Business and Macroeconomic Conditions

Our business and financial condition have been, and we believe will continue to be, impacted by adverse and uncertain macroeconomic conditions, including high inflation, high interest rates, fluctuations or volatility in capital markets or foreign currency exchange rates, and geopolitical events around the world, such as the ongoing conflicts between Russia and Ukraine and in the Middle East. We have experienced, and expect to continue to experience, negative impacts from these factors, including longer sales cycles, reduced IT budgets, slowdowns in customer consumption expansion and growth rates, including fewer new use cases adopted by customers, and generally increased scrutiny on IT spending from existing and potential customers. In addition, we have experienced and expect to continue to experience volatility in consumption from some of our larger enterprise customers, resulting in lower consumption expansion from time to time, primarily due to continued customer focus on near-term cloud cost controls and driving efficiencies and resulting impacts on expansion in new use cases. We typically experience more consumption volatility during periods of increased customer scrutiny on IT spending. We cannot be certain how long these uncertain macroeconomic conditions, geopolitical events, and IT spending and consumption patterns, and their resulting effects on our industry, our financial results, our business strategy, and customers, will persist. To navigate the current economic environment and its effects, we have taken actions to streamline our operating expenses by adjusting our cost structure and real estate footprint, including a workforce reduction in January 2023, while prudently investing in growth.

The full extent to which uncertain macroeconomic and geopolitical conditions and other factors and dynamics discussed above will directly or indirectly impact our business, results of operations, cash flows, and financial condition remains uncertain and cannot be accurately predicted. We will continue to monitor and evaluate the actual and potential impacts of general macroeconomic conditions and related factors on our business and operations.

Key Factors Affecting Our Performance

Developing Innovative, Market-Leading Offerings and Expanding Developer Mindshare

We are focused on delivering market-leading offerings. We believe it is critical for us to maintain our product leadership position and further increase the strength of our brand and reputation to drive revenue growth. We have made significant investments in our Data Streaming Platform to enable customers to stream, connect, process, and govern their data. For example, we significantly re-architected the technologies underlying data in motion, including open source Apache Kafka, with our purpose-built Kora engine, which powers Confluent Cloud to be a fully-managed cloud service. Additionally, our acquisition of immerok GmbH, an Apache Flink stream processing managed services company, enabled us to re-architect Flink as a cloud-native service on Confluent Cloud and release Confluent Platform for Apache Flink, while our Stream Governance suite establishes trust in real-time data movement and maintains stream quality, security, and regulatory compliance. We have also expanded to include support to materialize data streams as Apache Iceberg tables, which has rapidly become the open source standard for open table formats across numerous analytics compute engines. We expect our future growth to depend in large part on increased customer adoption and usage expansion of our Data Streaming Platform products. While customer adoption of our Data Streaming Platform products remains in early stages, we believe we have a robust opportunity to help our customers understand and realize the benefits of our complete Data Streaming Platform. We intend to continue to invest efficiently in our engineering capabilities, including through acquisitions, and marketing activities to maintain our strong position within the developer community. Our results of operations may fluctuate as we make these investments to drive increased customer adoption and usage.

Increasing Adoption of Confluent Cloud

We believe our cloud-native Confluent Cloud offering continues to represent an important growth opportunity for our business. Organizations are increasingly looking for a fully-managed offering to seamlessly leverage data in motion across a variety of environments. In some cases, customers that have been self-managing deployments through Confluent Platform subsequently have become Confluent Cloud customers. We offer users a free cloud trial and a pay-as-you-go arrangement to encourage adoption and expand via new use cases to increase usage over time. We will continue to leverage our cloud-native differentiation to drive our growth. We expect Confluent Cloud's contribution to our revenue to continue to increase over time. Our Confluent Cloud revenue represented 51% and 45% of our total revenue for the years ended December 31, 2024 and 2023, respectively. As we recognize revenue from Confluent Cloud based on usage, our revenue and results of operations have in the past fluctuated and may continue to fluctuate from period to period due to the usage-based nature of Confluent Cloud, our shift to a consumption-oriented sales model for Confluent Cloud, and varying patterns of customer consumption and adoption trends, including due to impacts from macroeconomic uncertainty and related effects on customer IT spending, as described above.

Growing Our Customer Base

We are intensely focused on continuing to grow our customer base. We have invested and will continue to invest in our sales and marketing efforts, including pipeline generation and execution, and developer community outreach, which are critical to driving customer acquisition. We historically focused on large enterprise customers with significant expansion opportunities and built a go-to-market motion around this approach. As we grew our cloud offering and increasingly prioritized consumption over commitments, including by creating more self-serve opportunities and completing our shift to a consumption-oriented sales model for Confluent Cloud, we have broadened our reach of customers and are able to attract a greater array of customers, including those in the earlier stages of data streaming adoption. Our ability to attract new customers will depend on and has historically been impacted by a number of factors, including our success in recruiting and scaling our sales and marketing organization, our ability to accelerate ramp time of our sales force, expansion and refinement of our go-to-market strategies to reach additional customer opportunities and to focus on consumption over commitments, our ability to enhance our brand and educate potential customers about the benefits and reduced total cost of ownership of our offerings compared to alternatives for data in motion, such as Apache Kafka, Apache Flink, and Apache Iceberg, our ability to effectively and competitively price our offerings, our ability to expand features and functionalities of our offerings, our ability to grow and harness our partner ecosystem, macroeconomic uncertainty and challenges, and competitive dynamics in our target markets. We had approximately 5,800 and 4,960 customers as of December 31, 2024 and 2023, respectively, spanning organizations of all sizes and industries. Our customer count treats affiliated entities with the same parent organization as a single customer and includes pay-as-you-go customers, and may fluctuate due to acquisitions, consolidations, spin-offs, and other market activity.

Retaining and Expanding Revenue from Existing Customers

Our business model and future growth are driven by customer renewals and increasing existing customer consumption and subscriptions over time, referred to as land-and-expand. Our ability to retain and expand revenue from existing customers, including through increased consumption of our offerings and contractual commitments and renewals, will depend on and has historically been impacted by a number of factors, including market acceptance of our offerings compared to data-in-motion alternatives, such as Apache Kafka, Apache Flink, and Apache Iceberg pricing of our offerings, customer satisfaction, expansion of features and functionalities of our offerings, competition, macroeconomic conditions, and overall changes in our customers' spending levels. In particular, we have experienced and expect to continue to experience volatility in consumption from some of our larger enterprise customers, resulting in lower consumption expansion from time to time, primarily due to continued customer focus on near-term cloud cost controls and driving efficiencies and resulting impacts on expansion in new use cases. Despite the continuing uncertain economic backdrop and consumption volatility, we believe we have significant opportunities to partner with our customers to help them realize increased value in Confluent in an efficient and sustainable manner, including through expansion of new use cases to drive their strategic goals. While these dynamics are expected to continue to result in reduced or fluctuating consumption expansion over the near term, we believe they can lead to more durable consumption expansion over time.

Investing in Growth and Scaling our Business

We believe our market opportunity is significant, and we are focused on continuing to make disciplined investments in our long-term revenue and profitability potential. We believe it is critical to scale across all organizational functions in order to capture this opportunity. Investments we make in our research and development and sales and marketing organizations will occur in advance of experiencing the benefits from such investments, and it may be difficult for us to determine if we are efficiently allocating resources. Our revenue growth potential is dependent on the effectiveness of such investments, which include the development of new product features and enhancements, and the continued refinement of our go-to-market strategies, including for our Data Streaming Platform products and our shift to a consumption-oriented sales model for Confluent Cloud. To navigate more challenging macroeconomic conditions, we intend to take a disciplined approach in investing to grow our business to take advantage of our expansive market opportunity while also optimizing for improvements in profitability, margins, and cash flow, including by streamlining our operating expenses.

Key Business Metrics

We monitor the key business metrics set forth below to help us evaluate our business and growth trends, establish budgets, measure our performance, and make strategic decisions. The calculation of the key metrics discussed below may differ from other similarly titled metrics used by other companies, securities analysts, or investors.

Subscription Revenue

We believe subscription revenue reflects the performance of our business because it captures both delivery of contractual commitments from Confluent Platform and consumption from Confluent Cloud and WarpStream. We discuss subscription revenue under “Components of Results of Operations.”

Customers with \$100,000 or Greater in 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 Confluent Cloud and WarpStream 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 and WarpStream 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. Large customer relationships lead to scale and operating leverage in our business model. Compared with smaller customers, large customers present a greater opportunity for us because they have larger budgets, greater potential for migrating more applications over time, and a wider range of potential use cases for data in motion. As a measure of our ability to scale with our customers and attract large enterprises to our offerings, we count the number of customers that contributed \$100,000 or greater in ARR as of period end. Our customer count may also fluctuate due to acquisitions, consolidations, spin-offs, and other market activity. We had 1,381 and 1,229 customers with \$100,000 or greater in ARR as of December 31, 2024 and 2023, respectively.

Dollar-Based Net Retention Rate (“NRR”)

We calculate our dollar-based 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, or Prior Period Value. We then calculate the ARR from these same customers as of the current period end, or 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 and WarpStream 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. We believe that our dollar-based NRR provides useful information about the evolution of our existing customers and our future growth prospects. Our dollar-based NRR was 117% as of December 31, 2024, demonstrating our ability to expand within existing customers. Over the near term, we expect our dollar-based NRR to be tempered as a result of our shift to a consumption-oriented sales model for Confluent Cloud. Our dollar-based NRR as of December 31, 2024 was also tempered by, and over the near term is expected to continue to be tempered by, consumption volatility, resulting in reduced consumption expansion from certain customers, as described above under “—Key Factors Affecting Our Performance—Retaining and Expanding Revenue from Existing Customers.” Our methodology for calculating ARR may result in increased volatility in NRR as our customers’ consumption trends have experienced and may continue to experience fluctuations across quarters. Refer to the section titled “Risk Factors—Risks Related to Our Business and Operations—We expect fluctuations in our financial results and key metrics, making it difficult to project future results, and if we fail to meet the expectations of securities analysts or investors with respect to our results of operations, our stock price and the value of your investment could decline.”

Components of Results of Operations

Revenue

We derive revenue primarily from subscriptions and, to a lesser extent, services.

Subscription Revenue. Our subscription revenue consists of subscriptions to our Data Streaming Platform for customers to stream, connect, process, and govern all of their data. Our subscription offerings are designed to span across all environments: Confluent Cloud, our fully-managed cloud-native offering, Confluent Platform, our self-managed software offering, and WarpStream, a BYOC managed service offering. The vast majority of our revenue from Confluent Cloud for the years ended December 31, 2024 and 2023 was based on usage-based commitments and is recognized on a usage basis, as usage represents a direct measurement of the value to the customer of the subscription transferred as of a particular date relative to the total value to be delivered over the term of the contract. Revenue from Confluent Platform includes revenue from term-based licenses and post-contract customer support, maintenance, and upgrades, referred to together as PCS. We recognize a portion of the revenue from our term-based license subscriptions at a point in time, upon delivery and transfer of control of the underlying license to the customer, which is typically the effective start date. Revenue from PCS, which represents a substantial majority of the revenue from our term-based license subscriptions, is recognized ratably over the contract term. Our subscriptions primarily have terms of one to three years, and are generally non-cancelable and non-refundable. We also provide pay-as-you-go arrangements, which consist of month-to-month SaaS contracts. Pay-as-you-go and WarpStream arrangements have historically represented an immaterial portion of our subscription revenue.

Services Revenue. Services revenue consists of revenue from professional services and education services, which are generally sold on a time-and-materials basis. Revenue for professional services and education services is recognized as these services are delivered.

We expect our total revenue may vary from period to period based on, among other things, the timing and size of new subscriptions, the rate of customer renewals and expansions, fluctuations in customer consumption of and adoption trends for our usage-based offering, delivery of professional services, ramp time and productivity of our sales force, the impact of significant transactions, and seasonality.

Cost of Revenue

Cost of Subscription Revenue. Cost of subscription revenue primarily includes personnel-related costs, including salaries, bonuses, benefits, and stock-based compensation, for employees associated with customer support and maintenance, third-party cloud infrastructure costs, amortization of internal-use software and acquired intangible assets, and allocated overhead costs for information technology, facilities, business systems, and recruiting. We expect our cost of subscription revenue to increase in absolute dollars as our subscription revenue increases.

Cost of Services Revenue. Cost of services revenue primarily includes personnel-related costs, including salaries, bonuses, benefits, and stock-based compensation, for employees associated with our professional services and education services, costs of third-party consultants and partners who supplement our services delivery team, and allocated overhead. We expect our cost of services revenue to fluctuate from period to period depending on the timing and delivery of professional services and education services.

Gross Profit and Gross Margin

Gross Profit. Gross profit represents revenue less cost of revenue.

Gross Margin. Gross margin, or gross profit as a percentage of revenue, has been and will continue to be affected by a variety of factors, including the average sales price of our subscriptions and services, changes in our revenue mix, including the mix of revenue between our Confluent Cloud, Confluent Platform, WarpStream, and service offerings, timing and amount of usage of third-party cloud infrastructure resources, infrastructure optimization, and timing and extent of our investments in growth and scaling our business. We expect our gross margin to fluctuate over time depending on the factors described above.

Operating Expenses

Our operating expenses consist of research and development, sales and marketing, general and administrative expenses, and restructuring and other related charges. Personnel-related costs are generally the most significant component of each category of operating expenses. Operating expenses also include allocated overhead costs for information technology, facilities, business systems, and recruiting.

Research and Development. Research and development expenses consist primarily of personnel-related costs, including salaries, bonuses, benefits, and stock-based compensation, net of capitalized amounts, third-party cloud infrastructure expenses incurred in developing our offering, software and subscription services dedicated for use by our research and development organization, contractor and professional services fees, and allocated overhead. We expect our research and development expenses will continue to increase in absolute dollars as our business grows and we continue to invest in our offering.

Sales and Marketing. Sales and marketing expenses consist primarily of personnel-related costs, including salaries, sales commissions, bonuses, benefits, and stock-based compensation, amortization of deferred contract acquisition costs, which primarily consist of sales commissions and the associated payroll taxes, conferences, costs related to marketing programs, travel-related costs, and allocated overhead. Marketing programs consist of advertising, events, corporate communications, and brand-building and developer-community activities. We expect our sales and marketing expenses will increase in absolute dollars over time and continue to be our largest operating expense for the foreseeable future as we invest in our sales and marketing efforts. We also expect a greater increase in our sales and marketing expenses as a result of shifting our sales compensation plan to be oriented toward consumption for Confluent Cloud, which results in higher upfront expense recognition from consumption-oriented sales commissions.

General and Administrative. General and administrative expenses consist primarily of personnel-related costs, including salaries, bonuses, benefits, and stock-based compensation for administrative functions including finance, human resources, and legal, professional fees, software and subscription services dedicated for use by our general and administrative functions, and allocated overhead. We expect our general and administrative expenses will increase in absolute dollars over time as we continue to invest in the growth of our business.

Restructuring and Other Related Charges. Restructuring and other related charges consist of personnel-related costs, including employee transition and severance payments, employee benefits, and related facilitation costs, as well as lease abandonment charges.

Other Income (Expense), Net

Other income (expense), net consists primarily of interest earned on our cash and cash equivalents and marketable securities, including amortization of premiums and accretion of discounts on marketable securities, amortization of debt issuance costs, gains and losses from foreign currency transactions, and realized gains and losses on marketable securities.

Provision for (Benefit from) Income Taxes

Provision for (benefit from) income taxes consists of income taxes in certain foreign and U.S. federal and state jurisdictions in which we conduct business. We maintain a full valuation allowance against our U.S. and U.K. deferred tax assets because we have concluded that it is more likely than not that the deferred tax assets will not be realized.

Results of Operations

The following table sets forth our consolidated statements of operations data for the periods presented:

	Year Ended December 31,		
	2024	2023	2022
	(in thousands)		
Revenue:			
Subscription	\$ 922,091	\$ 729,112	\$ 535,009
Services	41,551	47,840	50,935
Total revenue	963,642	776,952	585,944
Cost of revenue:			
Subscription ⁽¹⁾	208,600	176,004	146,324
Services ⁽¹⁾	48,870	53,666	56,091
Total cost of revenue	257,470	229,670	202,415
Gross profit	706,172	547,282	383,529
Operating expenses:			
Research and development ⁽¹⁾	421,237	348,752	264,041
Sales and marketing ⁽¹⁾	547,379	504,929	456,452
General and administrative ⁽¹⁾	156,703	137,520	125,710
Restructuring and other related charges	-	34,854	-
Total operating expenses	1,125,319	1,026,055	846,203
Operating loss	(419,147)	(478,773)	(462,674)
Other income, net	84,486	72,099	16,416
Loss before income taxes	(334,661)	(406,674)	(446,258)
Provision for income taxes	10,404	36,072	6,293
Net loss	\$ (345,065)	\$ (442,746)	\$ (452,551)

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

	Year Ended December 31,		
	2024	2023	2022
	(in thousands)		
Cost of revenue - subscription	\$ 27,133	\$ 25,620	\$ 23,136
Cost of revenue - services	9,306	11,096	9,253
Research and development	166,468	139,809	101,499
Sales and marketing	134,015	124,568	99,366
General and administrative	58,738	48,740	44,402
Total stock-based compensation expense	\$ 395,660	\$ 349,833	\$ 277,656

The following table sets forth our consolidated statements of operations data expressed as a percentage of revenue for the periods indicated:

	Year Ended December 31,		
	2024	2023	2022
Revenue:			
Subscription	96 %	94 %	91 %
Services	4	6	9
Total revenue	100	100	100
Cost of revenue:			
Subscription	22	23	25
Services	5	7	10
Total cost of revenue	27	30	35
Gross profit	73	70	65
Operating expenses:			
Research and development	44	45	45
Sales and marketing	57	65	78
General and administrative	16	18	21
Restructuring and other related charges	0	4	0
Total operating expenses	117	132	144
Operating loss	(43)	(62)	(79)
Other income, net	9	9	3
Loss before income taxes	(35)	(52)	(76)
Provision for income taxes	1	5	1
Net loss	(36)%	(57)%	(77)%

Note: Certain figures may not sum due to rounding.

Comparison of the Years Ended December 31, 2024 and 2023

Revenue

	Year Ended December 31,		Change	
	2024	2023	\$	%
	(in thousands, except percentages)			
Subscription	\$ 922,091	\$ 729,112	\$ 192,979	26%
Services	41,551	47,840	(6,289)	(13)%
Total revenue	\$ 963,642	\$ 776,952	\$ 186,690	24%

Subscription revenue increased by \$193.0 million during the year ended December 31, 2024 compared to the year ended December 31, 2023. The increase in revenue was primarily from sales to existing customers and the remaining increase was attributable to sales to new customers. Sales to new customers represent the revenue recognized from customers acquired in the 12 months prior to each discrete quarter end within the year ended December 31, 2024. A further indication of our ability to expand from existing customers is through our dollar-based net retention rate, which was 117% as of December 31, 2024. Confluent Cloud and Confluent Platform contributed 53% and 47% of our subscription revenue during the year ended December 31, 2024, respectively, compared to 48% and 52% during the year ended December 31, 2023, respectively.

Services revenue decreased by \$6.3 million during the year ended December 31, 2024 compared to the year ended December 31, 2023 primarily due to a decrease in delivery of professional services.

Cost of Revenue, Gross Profit, and Gross Margin

	Year Ended December 31,		Change	
	2024	2023	\$	%
	(in thousands, except percentages)			
Cost of revenue				
Subscription	\$ 208,600	\$ 176,004	\$ 32,596	19%
Services	48,870	53,666	(4,796)	(9)%
Total cost of revenue	\$ 257,470	\$ 229,670	\$ 27,800	12%
Gross profit	\$ 706,172	\$ 547,282	\$ 158,890	29%

	Year Ended December 31,	
	2024	2023
Gross margin		
Subscription	77%	76%
Services	(18)%	(12)%
Total gross margin	73%	70%

Cost of subscription revenue increased by \$32.6 million during the year ended December 31, 2024 compared to the year ended December 31, 2023. This increase was primarily due to an increase of \$18.4 million in third-party cloud infrastructure costs, an increase of \$6.3 million in amortization of internal-use software and an increase of \$3.5 million in software license costs.

Cost of services revenue decreased by \$4.8 million during the year ended December 31, 2024 compared to the year ended December 31, 2023. This decrease was primarily due to a decrease in personnel-related costs and allocated overhead costs driven by decreased headcount.

Our subscription gross margin increased primarily due to efficiencies in personnel-related costs offset by a change in our revenue mix toward Confluent Cloud which has a lower gross margin. Our services gross margin decreased primarily due to personnel-related costs decreasing at a lower rate than services revenue.

Research and Development

	Year Ended December 31,		Change	
	2024	2023	\$	%
	(in thousands, except percentages)			
Research and development	\$ 421,237	\$ 348,752	\$ 72,485	21%
Percentage of revenue	44%	45%		

Research and development expenses increased by \$72.5 million during the year ended December 31, 2024 compared to the year ended December 31, 2023. This increase was primarily due to an increase of \$48.5 million in personnel-related costs and allocated overhead costs, an increase of \$10.4 million in software license costs, an increase of \$5.6 million in acquisition-related compensation costs, and an increase of \$4.3 million in third-party cloud infrastructure costs. The increase in personnel-related costs was mainly driven by increased headcount and an increase of \$26.7 million in stock-based compensation expense, net of amounts capitalized.

Sales and Marketing

	Year Ended December 31,		Change	
	2024	2023	\$	%
	(in thousands, except percentages)			
Sales and marketing	\$ 547,379	\$ 504,929	\$ 42,450	8%
Percentage of revenue	57%	65%		

Sales and marketing expenses increased by \$42.5 million during the year ended December 31, 2024 compared to the year ended December 31, 2023. This increase was primarily due to an increase of \$24.0 million in personnel-related costs and allocated overhead costs, an increase of \$8.4 million in amortization of deferred contract acquisition costs, an increase of \$4.7 million in travel-related costs, and an increase of \$3.7 million in marketing and event expenses. The increase in personnel-related costs was mainly driven by increased headcount, an increase of \$15.8 million in commissions expense, and a \$9.4 million increase in stock-based compensation expense.

General and Administrative

	Year Ended December 31,		Change	
	2024	2023	\$	%
	(in thousands, except percentages)			
General and administrative	\$ 156,703	\$ 137,520	\$ 19,183	14%
Percentage of revenue	16%	18%		

General and administrative expenses increased by \$19.2 million during the year ended December 31, 2024 compared to the year ended December 31, 2023. This increase was primarily due to an increase of \$18.0 million in personnel-related costs and allocated overhead costs, mainly driven by increased headcount and an increase of \$10.0 million in stock-based compensation expense.

Restructuring and Other Related Charges

	Year Ended December 31,		Change	
	2024	2023	\$	%
	(in thousands, except percentages)			
Restructuring and other related charges	\$ -	\$ 34,854	\$ (34,854)	(100)%
Percentage of revenue	0%	4%		

Restructuring and other related charges decreased by \$34.9 million during the year ended December 31, 2024 compared to the year ended December 31, 2023 as our restructuring actions to adjust our cost structure and real estate footprint were taken in 2023. See Note 12 to our consolidated financial statements for further information.

Other Income (Expense), Net

	Year Ended December 31,		Change	
	2024	2023	\$	%
	(in thousands, except percentages)			
Other income, net	\$ 84,486	\$ 72,099	\$ 12,387	17%

Other income, net increased by \$12.4 million during the year ended December 31, 2024 compared to the year ended December 31, 2023 primarily due to higher yields on cash, cash equivalents, and marketable securities.

Provision for (Benefit from) Income Taxes

	Year Ended December 31,		Change	
	2024	2023	\$	%
	(in thousands, except percentages)			
Loss before income taxes	\$ (334,661)	\$ (406,674)	\$ 72,013	(18)%
Provision for income taxes	10,404	36,072	(25,668)	(71)%
Effective tax rate	(3.1)%	(8.9)%		

Provision for income taxes decreased by \$25.7 million during the year ended December 31, 2024 compared to the year ended December 31, 2023. For the year ended December 31, 2023, tax expense of \$26.4 million was related to an intra-group transfer of acquired intellectual property. See Note 13 to our consolidated financial statements for further information.

The most significant component of our tax expense is income taxes in various foreign jurisdictions. Our effective tax rate may fluctuate to the extent the mix of earnings fluctuates between jurisdictions with different tax rates.

Liquidity and Capital Resources

To date, we have financed operations primarily through proceeds received from issuances of equity and debt securities and payments received from our customers. In December 2021, we issued \$1.1 billion aggregate principal amount of 0% convertible senior notes due 2027 (the “2027 Notes”) in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The net proceeds from the issuance of the 2027 Notes, after deducting the initial purchasers’ discounts and commissions and debt issuance costs, were \$1,080.5 million.

As of December 31, 2024, our principal sources of liquidity were cash, cash equivalents, and marketable securities totaling \$1,910.6 million. Our cash, cash equivalents, and marketable securities consist of bank deposits, money market funds, corporate notes and bonds, commercial paper, U.S. agency obligations, U.S. treasury securities, and time deposits.

We believe that existing cash, cash equivalents, marketable securities, and cash flow from operations will be sufficient to fund our short-term and long-term operating and capital needs, including our purchase obligations primarily related to our non-cancelable agreements for third-party cloud infrastructure, and operating lease commitments, primarily related to our office space. As of December 31, 2024, our purchase obligations were \$610.6 million, of which \$193.4 million is expected to be paid within 12 months and the remainder thereafter. As of December 31, 2024, our operating lease payment obligations were \$18.7 million, of which \$9.4 million is expected to be paid within 12 months and the remainder thereafter. See Note 9, *Commitments and Contingencies*, to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further information.

We have generated significant operating losses and negative cash flows from operations. As of December 31, 2024, we had an accumulated deficit of \$1,989.2 million. We may require additional capital resources to execute strategic initiatives to grow our business. Our future capital requirements will depend on many factors including our growth rate, the timing and extent of spending to support development efforts, the expansion of sales and marketing and international operations, and the continuing market acceptance of our subscriptions and services. We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, results of operations, and financial condition would be adversely affected.

The following table summarizes our cash flows for the periods presented:

	Year Ended December 31,		
	2024	2023	2022
	(in thousands)		
Net cash provided by (used in) operating activities	\$ 33,460	\$ (103,657)	\$ (157,333)
Net cash used in investing activities	\$ (74,978)	\$ (84,851)	\$ (865,805)
Net cash provided by financing activities	\$ 79,806	\$ 102,372	\$ 82,241

Cash Flows from Operating Activities

We generally invoice our customers annually in advance for our term-based licenses and typically annually in advance or monthly in arrears for our SaaS offering. Our largest source of operating cash is payments received from our customers. We have in the past and expect in the future to experience seasonality, with the fourth quarter historically being our strongest quarter for sales to customers as a result of large enterprise buying patterns. Accordingly, the operating cash flow benefit from increased collections from our customers generally occurs in the subsequent quarter after billing. We expect seasonality, timing of billings, and collections from our customers to have a material impact on our cash flow from operating activities from period to period. Our primary uses of cash from operating activities are for personnel-related expenses, third-party cloud infrastructure costs, sales and marketing expenses, and overhead expenses.

Cash provided by operating activities of \$33.5 million for the year ended December 31, 2024 primarily consisted of our net loss of \$345.1 million, adjusted for non-cash charges of \$445.7 million, and net cash outflows of \$67.2 million from changes in our operating assets and liabilities, net of the effects of a business combination. Our non-cash charges included \$395.7 million of stock-based compensation expense, net of amounts capitalized, \$54.3 million of amortization of deferred contract acquisition costs, and \$22.1 million of depreciation and amortization of property equipment and acquired intangible assets, partially offset by \$37.8 million of net accretion of discounts on marketable securities. The main drivers of the changes in operating assets and liabilities, net of the effects of a business combination, were an \$86.6 million increase in accounts receivables due to timing of billings and collections as well as overall growth of our sales, a \$53.2 million increase in deferred contract acquisition costs due to our sales, and a \$10.1 million decrease in operating lease liabilities due to lease payments, partially offset by a \$56.2 million increase in deferred revenue corresponding with our increased sales and a \$25.6 million increase in accrued expenses and other liabilities due to timing of accruals and payments.

Cash used in operating activities of \$103.7 million for the year ended December 31, 2023 primarily consisted of our net loss of \$442.7 million, adjusted for non-cash charges of \$394.8 million, and net cash outflows of \$55.8 million from changes in our operating assets and liabilities, net of the effects of business combinations. Our non-cash charges included \$349.8 million of stock-based compensation expense, net of amounts capitalized, \$45.9 million of amortization of deferred contract acquisition costs, \$15.7 million of lease abandonment charges, and \$13.9 million of depreciation and amortization of property equipment and acquired intangible assets, partially offset by \$42.5 million of net accretion of discounts and amortization of premiums on marketable securities. The main drivers of the changes in operating assets and liabilities, net of the effects of business combinations, were a \$61.4 million increase in deferred contract acquisition costs due to our increased sales, a \$53.6 million increase in accounts receivable due to overall growth of our sales, a \$14.5 million decrease in accounts payable due to timing of payments, and a \$10.4 million increase in prepaid expenses and other assets related to timing of payments made in advance for future services, partially offset by a \$61.3 million increase in accrued expenses and other liabilities due to \$17.4 million in accrued compensation expense related to acquisition-related holdback agreements and the timing of accruals and payments and a \$30.2 million increase in deferred revenue corresponding with our increased sales.

Cash Flows from Investing Activities

Cash used in investing activities of \$75.0 million for the year ended December 31, 2024 was primarily due to purchases of marketable securities of \$1,539.7 million, cash paid for a business combination, net of cash acquired of \$115.5 million, and capitalized internal-use software development costs of \$21.4 million, partially offset by proceeds from maturities and sales of marketable securities of \$1,606.5 million.

Cash used in investing activities of \$84.9 million for the year ended December 31, 2023 was primarily due to purchases of marketable securities of \$1,586.7 million, cash paid for business combinations, net of cash acquired of \$55.8 million, and capitalized internal-use software development costs of \$17.8 million, partially offset by maturities of marketable securities of \$1,578.3 million.

Cash Flows from Financing Activities

Cash provided by financing activities of \$79.8 million for the year ended December 31, 2024 was due to \$55.8 million in proceeds from the issuance of common stock upon exercises of stock options and \$24.0 million in proceeds from the issuance of common stock under our employee stock purchase plan.

Cash provided by financing activities of \$102.4 million for the year ended December 31, 2023 was primarily due to \$73.9 million in proceeds from the issuance of common stock upon exercises of stock options and \$28.7 million in proceeds from the issuance of common stock under our employee stock purchase plan.

Critical Accounting Estimates

Our consolidated financial statements and the related notes thereto included elsewhere in this Annual Report on Form 10-K are prepared in accordance with generally accepted accounting principles in the United States, or U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from the estimates made by management. To the extent that there are differences between our estimates and actual results, our financial condition, results of operations, and cash flows will be affected.

We believe that the accounting policy and estimate described below involves a greater degree of judgment and complexity and therefore is the most critical to aid in fully understanding and evaluating our consolidated financial condition and results of operations.

Revenue Recognition

See Note 2, *Basis of Presentation and Summary of Significant Accounting Policies*, to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for information regarding our significant accounting policies over revenue recognition.

Our contracts with customers often contain multiple performance obligations. For these contracts, we allocate the transaction price to each performance obligation on a relative standalone selling price (“SSP”) basis. We consider our determination of SSP to be a critical accounting estimate. SSP is established based on multiple factors, including prices at which we separately sell standalone subscriptions and services. In cases where directly observable standalone sales are not available, such as when license and PCS are not sold on a standalone basis, we establish the SSP by using information such as the historical selling price of performance obligations in similar transactions, market conditions, and our pricing practices, which can require significant judgment and are subject to change based on continuous reevaluation. There may be more than one SSP for individual subscriptions and services due to the stratification of subscription support tiers and services. We also consider if there are any additional material rights inherent in a contract, and if so, we allocate revenue to the material right as a performance obligation.

Recent Accounting Pronouncements

See Note 2, *Basis of Presentation and Summary of Significant Accounting Policies*, to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for recent accounting pronouncements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. We have operations both within the United States and internationally, and we are exposed to market risk in the ordinary course of our business.

Interest Rate Risk

As of December 31, 2024, we had \$1,910.6 million of cash, cash equivalents, and marketable securities in a variety of securities including money market funds, corporate notes and bonds, commercial paper, U.S. agency obligations, U.S. treasury securities, and time deposits. Our cash, cash equivalents, and marketable securities are held for working capital purposes. We do not enter into investments for trading or speculative purposes. The effect of a hypothetical 10% relative change in interest rates would not have a material impact on the fair value of our cash equivalents and marketable securities as of December 31, 2024.

In December 2021, we issued \$1.1 billion aggregate principal amount of 0% convertible senior notes due 2027 (the “2027 Notes”) in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The fair value of the 2027 Notes are subject to market risk and other factors due to the conversion feature. The fair value of the 2027 Notes will generally increase as our Class A common stock price increases, and will generally decrease as our Class A common stock price declines. The market value changes affect the fair value of the 2027 Notes, but do not impact our financial position, cash flows or results of operations due to the fixed nature of the debt obligation. Additionally, we carry the 2027 Notes at face value less unamortized debt issuance costs on our consolidated balance sheet, and we present the fair value for required disclosure purposes only.

Foreign Currency Risk

Our reporting currency and the functional currency of our wholly-owned foreign subsidiaries is the U.S. dollar. The substantial majority of our sales contracts are denominated in U.S. dollars, and therefore our revenue is not currently subject to significant foreign currency risk. A portion of our operating expenses and balance sheet items are incurred outside the United States and denominated in foreign currencies and are subject to fluctuations due to changes in foreign exchange rates.

To reduce the impact of foreign currency fluctuations, we established a hedging program in December 2022. See Note 2 and Note 5 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for additional information. Our hedging program reduces but does not eliminate the impact of currency exchange rate movements.

The effect of a hypothetical 10% relative change in foreign exchange rates, after considering our hedging program, would not have a material impact on our financial condition, results of operations, or cash flows for the periods presented. As our international operations grow, we will continue to reassess our approach to manage our risk relating to fluctuations in foreign exchange rates.

Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Confluent, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Confluent, Inc. and its subsidiaries (the “Company”) as of December 31, 2024 and 2023, and the related consolidated statements of operations, of comprehensive loss, of redeemable convertible preferred stock and stockholders’ equity (deficit) and of cash flows for the years then ended, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Development of Standalone Selling Price and Allocation of the Transaction Price to Performance Obligations

As described in Notes 2 and 10 to the consolidated financial statements, subscription revenue was \$922 million for the year ended December 31, 2024. The Company's contracts with customers often contain multiple performance obligations. For these contracts, management allocates the transaction price to each performance obligation on a relative standalone selling price ("SSP") basis. SSP is established based on multiple factors, including prices at which the Company separately sells standalone subscriptions and services. In cases where directly observable standalone sales are not available, such as when license and post contract support are not sold on a standalone basis, management establishes the SSP by using information such as the historical selling price of performance obligations in similar transactions, market conditions, and the Company's pricing practices, which can require significant judgment and are subject to change based on continuous reevaluation. There may be more than one SSP for individual subscriptions and services due to the stratification of subscription support tiers and services. Management also considers if there are any additional material rights inherent in a contract, and if so, allocates revenue to the material right as a performance obligation.

The principal considerations for our determination that performing procedures relating to the development of SSP and allocation of the transaction price to performance obligations is a critical audit matter are (i) the significant judgment by management when developing the estimates of SSP for certain of the Company's performance obligations and allocating the transaction price and (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to prices at which the Company separately sells standalone subscriptions and services, and in cases where directly observable standalone sales are not available, historical selling price of performance obligations in similar transactions and the Company's pricing practices.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process, including controls over developing estimates of SSP and allocating the transaction price to the individual performance obligations. These procedures also included, among others (i) testing management’s process for developing the estimates of SSP; (ii) evaluating the appropriateness of the overall methodology used by management to develop the estimates; (iii) evaluating the reasonableness of significant assumptions related to prices at which the Company separately sells standalone subscriptions and services, and in cases where directly observable standalone sales are not available, historical selling price of performance obligations in similar transactions and the Company’s pricing practices; (iv) testing the completeness and accuracy of the underlying data used in the methodology; and (v) testing the accuracy of management’s calculations of estimated selling prices and allocation of transaction prices. Evaluating management’s significant assumptions related to prices at which the Company separately sells standalone subscription and services, and in the cases where directly observable standalone sales are not available, historical selling price of performance obligations in similar transactions and the Company’s pricing practices involved evaluating whether the assumptions used by management were reasonable considering (i) the historical selling prices of standalone subscription and services and similar transactions; (ii) the consistency with external market and industry data; and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit.

/s/ PricewaterhouseCoopers LLP
San Francisco, California
February 18, 2025

We have served as the Company’s auditor since 2018.

Confluent, Inc.
Consolidated Balance Sheets
(in thousands, except share and per share data)

	December 31, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 385,980	\$ 349,761
Marketable securities	1,524,583	1,551,009
Accounts receivable, net	314,306	229,962
Deferred contract acquisition costs	47,271	43,937
Prepaid expenses and other current assets	79,179	76,986
Total current assets	2,351,319	2,251,655
Property and equipment, net	78,680	54,012
Operating lease right-of-use assets	8,818	10,061
Goodwill	164,406	51,998
Intangible assets, net	7,924	3,492
Deferred contract acquisition costs, non-current	71,468	75,815
Other assets, non-current	12,296	13,776
Total assets	\$ 2,694,911	\$ 2,460,809
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 7,531	\$ 6,714
Accrued expenses and other liabilities	194,250	141,847
Operating lease liabilities	8,694	7,890
Deferred revenue	378,771	330,570
Total current liabilities	589,246	487,021
Operating lease liabilities, non-current	9,138	17,391
Deferred revenue, non-current	30,430	22,436
Convertible senior notes, net	1,092,149	1,088,313
Other liabilities, non-current	12,722	35,233
Total liabilities	1,733,685	1,650,394
Commitments and contingencies (Note 9)		

	December 31, 2024	December 31, 2023
Stockholders' equity:		
Preferred stock, par value of \$0.00001 per share; 10,000,000 shares authorized as of December 31, 2024 and December 31, 2023; 0 shares issued and outstanding as of December 31, 2024 and December 31, 2023	-	-
Class A common stock, par value of \$0.00001 per share; 1,000,000,000 shares authorized as of December 31, 2024 and December 31, 2023; 271,787,370 and 224,737,415 shares issued and outstanding as of December 31, 2024 and December 31, 2023, respectively	2	2
Class B common stock, par value of \$0.00001 per share; 500,000,000 shares authorized as of December 31, 2024 and December 31, 2023; 61,097,976 and 86,774,127 shares issued and outstanding as of December 31, 2024 and December 31, 2023, respectively	1	1
Additional paid-in capital	2,953,080	2,453,293
Accumulated other comprehensive (loss) income	(2,641)	1,270
Accumulated deficit	(1,989,216)	(1,644,151)
Total stockholders' equity	961,226	810,415
Total liabilities and stockholders' equity	\$ 2,694,911	\$ 2,460,809

See accompanying notes to the consolidated financial statements.

Confluent, Inc.
Consolidated Statements of Operations
(in thousands, except share and per share data)

	Year Ended December 31,		
	2024	2023	2022
Revenue:			
Subscription	\$ 922,091	\$ 729,112	\$ 535,009
Services	41,551	47,840	50,935
Total revenue	963,642	776,952	585,944
Cost of revenue:			
Subscription	208,600	176,004	146,324
Services	48,870	53,666	56,091
Total cost of revenue	257,470	229,670	202,415
Gross profit	706,172	547,282	383,529
Operating expenses:			
Research and development	421,237	348,752	264,041
Sales and marketing	547,379	504,929	456,452
General and administrative	156,703	137,520	125,710
Restructuring and other related charges	-	34,854	-
Total operating expenses	1,125,319	1,026,055	846,203
Operating loss	(419,147)	(478,773)	(462,674)
Other income, net	84,486	72,099	16,416
Loss before income taxes	(334,661)	(406,674)	(446,258)
Provision for income taxes	10,404	36,072	6,293
Net loss	\$ (345,065)	\$ (442,746)	\$ (452,551)
Net loss per share, basic and diluted	\$ (1.07)	\$ (1.47)	\$ (1.62)
Weighted-average shares used to compute net loss per share, basic and diluted	321,863,416	300,727,487	280,080,357

See accompanying notes to the consolidated financial statements.

Confluent, Inc.
Consolidated Statements of Comprehensive Loss
(in thousands)

	Year Ended December 31,		
	2024	2023	2022
Net loss	\$ (345,065)	\$ (442,746)	\$ (452,551)
Other comprehensive (loss) income, net of tax:			
Net unrealized gain (loss) on marketable securities	2,569	9,099	(9,279)
Net unrealized (loss) gain on derivative instruments	(6,480)	1,627	653
Other comprehensive (loss) income, net of tax	(3,911)	10,726	(8,626)
Total comprehensive loss	\$ (348,976)	\$ (432,020)	\$ (461,177)

See accompanying notes to the consolidated financial statements.

Confluent, Inc.
Consolidated Statements of Stockholders' Equity
(in thousands, except share data)

	Class A and Class B Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity	
	Shares	Amount					
Balances as of January 1, 2022	271,801,882	\$ -	3	\$ 1,599,962	\$ (830)	\$ (748,854)	\$ 850,281
Issuance of common stock upon early exercise of unvested options	59,185	-	-	-	-	-	-
Repurchases of unvested common stock	(157,672)	-	-	-	-	-	-
Vesting of early exercised options	-	-	11,467	-	-	-	11,467
Issuance of common stock upon exercise of vested options	12,139,056	-	42,767	-	-	-	42,767
Vesting of restricted stock units	4,155,049	-	-	-	-	-	-
Issuance of common stock under employee stock purchase plan	1,386,680	-	40,939	-	-	-	40,939
Stock-based compensation	-	-	285,200	-	-	-	285,200
Other comprehensive loss, net of tax	-	-	-	(8,626)	-	-	(8,626)
Net loss	-	-	-	-	(452,551)	-	(452,551)
Balances as of December 31, 2022	289,384,180	\$ -	3	1,980,335	(9,456)	(1,201,405)	769,477
Repurchases of unvested common stock	(35,203)	-	-	-	-	-	-
Vesting of early exercised options	-	-	2,834	-	-	-	2,834
Issuance of common stock upon exercise of vested options	11,454,829	-	73,640	-	-	-	73,640
Vesting of restricted stock units	9,486,112	-	-	-	-	-	-
Issuance of common stock under employee stock purchase plan	1,221,624	-	28,708	-	-	-	28,708
Stock-based compensation	-	-	367,776	-	-	-	367,776
Other comprehensive income, net of tax	-	-	-	10,726	-	-	10,726
Net loss	-	-	-	-	(442,746)	-	(442,746)
Balances as of December 31, 2023	311,511,542	\$ -	3	2,453,293	1,270	(1,644,151)	810,415
Vesting of early exercised options	-	-	1,215	-	-	-	1,215
Issuance of common stock upon exercise of vested options	7,454,089	-	56,409	-	-	-	56,409
Vesting of restricted stock units	12,236,356	-	-	-	-	-	-
Issuance of common stock in connection with a business combination	132,476	-	2,642	-	-	-	2,642
Issuance of common stock in connection with a business combination subject to future vesting	397,436	-	-	-	-	-	-
Issuance of common stock under employee stock purchase plan	1,153,447	-	23,970	-	-	-	23,970
Stock-based compensation	-	-	415,551	-	-	-	415,551
Other comprehensive loss, net of tax	-	-	-	(3,911)	-	-	(3,911)
Net loss	-	-	-	-	(345,065)	-	(345,065)
Balances as of December 31, 2024	332,885,346	\$ -	3	\$ 2,953,080	\$ (2,641)	\$ (1,989,216)	\$ 961,226

See accompanying notes to the consolidated financial statements.

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

	Year Ended December 31,		
	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	\$ (345,065)	\$ (442,746)	\$ (452,551)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:			
Depreciation and amortization	22,089	13,910	7,620
Net accretion of discounts on marketable securities	(37,766)	(42,505)	(8,891)
Amortization of debt issuance costs	3,836	3,813	3,799
Amortization of deferred contract acquisition costs	54,258	45,888	37,339
Non-cash operating lease costs	3,966	3,992	8,608
Lease abandonment charges	-	15,667	-
Stock-based compensation, net of amounts capitalized	395,660	349,833	277,656
Deferred income taxes	277	1,889	(237)
Other	3,370	2,358	1,384
Changes in operating assets and liabilities, net of effects of business combinations:			
Accounts receivable	(86,562)	(53,593)	(42,080)
Deferred contract acquisition costs	(53,246)	(61,354)	(62,801)
Prepaid expenses and other assets	844	(10,387)	(17,850)
Accounts payable	127	(14,452)	13,580
Accrued expenses and other liabilities	25,639	61,333	9,948
Operating lease liabilities	(10,140)	(7,479)	(9,209)
Deferred revenue	56,173	30,176	76,352
Net cash provided by (used in) operating activities	33,460	(103,657)	(157,333)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capitalization of internal-use software costs	(21,404)	(17,845)	(10,334)
Purchases of marketable securities	(1,539,716)	(1,586,693)	(2,051,908)
Sales of marketable securities	15,311	-	-
Maturities of marketable securities	1,591,164	1,578,323	1,200,558
Purchases of investments in privately-held companies	(2,250)	-	-
Purchases of property and equipment	(2,567)	(2,834)	(4,121)
Cash paid for business combinations, net of cash acquired	(115,516)	(55,802)	-
Net cash used in investing activities	(74,978)	(84,851)	(865,805)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of common stock upon exercise of vested options	55,836	73,919	42,461
Proceeds from issuance of common stock upon early exercise of unvested options	-	-	416
Repurchases of unvested common stock	-	(255)	(789)
Payments of debt issuance costs for convertible senior notes	-	-	(786)
Proceeds from issuance of common stock under employee stock purchase plan	23,970	28,708	40,939
Net cash provided by financing activities	79,806	102,372	82,241
Effect of exchange rate changes on cash and cash equivalents	(2,069)	116	(4)
Net increase (decrease) in cash and cash equivalents	36,219	(86,020)	(940,901)
Cash and cash equivalents at beginning of period	349,761	435,781	1,376,682
Cash and cash equivalents at end of period	\$ 385,980	\$ 349,761	\$ 435,781

	Year Ended December 31,		
	2024	2023	2022
Supplementary cash flow disclosures:			
Cash paid for:			
Income taxes	\$ 11,706	\$ 8,053	\$ 5,529
Non-cash investing and financing activities:			
Stock-based compensation capitalized as internal-use software costs	\$ 19,891	\$ 17,943	\$ 7,544
Issuance of common stock in connection with a business combination	\$ 2,642	\$ -	\$ -
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 2,722	\$ -	\$ 998
Vesting of early exercised stock options	\$ 1,215	\$ 2,834	\$ 11,467

See accompanying notes to the consolidated financial statements.

Confluent, Inc.
Notes to Consolidated Financial Statements

1. Organization and Description of Business

Description of Business

Confluent, Inc. (“Confluent” or the “Company”) provides a Data Streaming Platform that enables customers to connect their applications, systems, and data layers and can be deployed as a fully-managed cloud-native software-as-a-service (“SaaS”) offering, Confluent Cloud, as a self-managed software offering, Confluent Platform, or as a Bring Your Own Cloud (“BYOC”) managed service offering where the raw data resides inside a customer’s own cloud environment, WarpStream. Confluent also offers professional services and education services. The Company was incorporated in the state of Delaware in September 2014 and is headquartered in California with various other global office locations.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Reclassifications

Certain amounts in the prior year consolidated financial statements have been reclassified to conform to the presentation of the current year consolidated financial statements. These reclassifications had no effect on consolidated net loss, stockholders’ equity, or cash flows as previously reported.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Such estimates include, but are not limited to, the standalone selling price (“SSP”) for each distinct performance obligation included in customer contracts, deferred contract acquisition costs and their period of benefit, stock-based compensation expense, the fair value of acquired intangible assets, capitalization of internal-use software, estimated useful lives of long-lived assets, the incremental borrowing rate used to measure operating lease liabilities, and accounting for income taxes.

The Company bases its estimates on historical and anticipated results, trends, and various other assumptions that it believes are reasonable under the circumstances. Estimates and assumptions about future events and their effects, including the impact of global macroeconomic conditions, cannot be determined with certainty and therefore require the exercise of judgment. Actual results could differ from those estimates and any such differences may be material to the Company’s consolidated financial statements.

Functional Currency

The reporting currency of the Company is the U.S. dollar. The U.S. dollar is the functional currency for all subsidiaries, and therefore, foreign currency denominated monetary assets and liabilities are remeasured into U.S. dollars at exchange rates at the balance sheet date, and foreign currency denominated non-monetary assets and liabilities are remeasured into U.S. dollars at historical exchange rates. Gains or losses from foreign currency remeasurement and settlements are included in other income (expense), net in the consolidated statements of operations. Net foreign exchange losses were not material for the years ended December 31, 2024 and 2023, and \$2.5 million for the year ended December 31, 2022.

Cash and Cash Equivalents

The Company considers all highly liquid investments, including money market funds, U.S. treasury securities, U.S. agency obligations, commercial paper, and time deposits with remaining maturities at the date of purchase of three months or less, to be cash equivalents.

Marketable Securities

The Company's marketable securities consist of corporate notes and bonds, commercial paper, U.S. agency obligations, U.S. treasury securities, and time deposits. The Company determines the appropriate classification of its marketable securities at the time of purchase and reevaluates such determination at each balance sheet date. The Company has classified and accounted for its marketable securities as available-for-sale securities. The Company may sell these securities at any time for use in its current operations or for other purposes, even prior to maturity. As a result, the Company classifies its marketable securities within current assets.

Available-for-sale securities are recorded at fair value each reporting period, and are adjusted for amortization of premiums and accretion of discounts to maturity and such amortization and accretion are included in other income (expense), net in the consolidated statements of operations.

Realized gains and losses are determined based on the specific identification method and are reported in other income (expense), net in the consolidated statements of operations. Unrealized gains are reported as a separate component of accumulated other comprehensive income (loss) on the consolidated balance sheets until realized.

For available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell the security or it is more likely than not that the Company will be required to sell the security before the recovery of its entire amortized cost basis. If either of these criteria is met, the security's amortized cost basis is written down to fair value through other income (expense), net in the consolidated statements of operations. If neither of these criteria is met, the Company evaluates whether the decline in fair value below amortized cost is due to credit or non-credit related factors. In making this assessment, the Company considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and any adverse conditions specifically related to the security, among other factors. Credit related unrealized losses are recognized as an allowance for expected credit losses of available-for-sale debt securities on the consolidated balance sheets with a corresponding charge in other income (expense), net in the consolidated statements of operations. Non-credit related unrealized losses are included in accumulated other comprehensive income (loss).

Fair Value of Financial Instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date. The accounting guidance establishes a three-tiered hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value as follows:

- Level 1 Inputs: Observable inputs such as unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 Inputs: Observable inputs other than quoted prices included in Level 1, such as quoted prices in less active markets or model-derived valuations that are observable either directly or indirectly.
- Level 3 Inputs: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company's financial instruments consist of cash equivalents, marketable securities, accounts receivable, accounts payable, accrued expenses, derivative instruments, and convertible senior notes. Cash equivalents and marketable securities are recorded at fair value. Accounts receivable, accounts payable, and accrued expenses are stated at their carrying value, which approximates fair value due to the short time to the expected receipt or payment date. See Note 4 for further details regarding the fair value of the Company's derivative instruments and convertible senior notes.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable on the consolidated balance sheets consists of trade accounts receivable and unbilled receivables, net of an allowance for expected credit losses. Trade accounts receivable are stated at the invoiced amount and consist of amounts currently due from customers. Unbilled receivables represent revenue recognized in excess of invoiced amounts for the Company's unconditional right to consideration in exchange for goods or services that the Company has transferred to the customer, such that only the passage of time is required before payment of consideration is due. The unbilled receivables balance was \$130.7 million and \$64.2 million as of December 31, 2024 and 2023, respectively.

Accounts receivable are reduced by an allowance for expected credit losses. The allowance for expected credit losses represents the best estimate of lifetime expected credit losses against the existing accounts receivable, inclusive of unbilled receivables, based on certain factors including the age of the receivable balance, past collection experience with the customer, historical write-off experience, credit quality of the customer, current economic conditions, and reasonable and supportable forecasts of future economic conditions. Accounts receivable deemed uncollectible are written off against the allowance for expected credit losses when identified and the Company no longer actively pursues collection of the receivable. The Company's allowance for expected credit losses was not material as of December 31, 2024 and 2023. Additions to and write-offs against the allowance for expected credit losses were not material for the years ended December 31, 2024, 2023, and 2022.

Derivative Instruments and Hedging

The Company enters into foreign currency forward contracts with certain financial institutions to mitigate the impact of foreign currency fluctuations on future cash flows and earnings. Derivative instruments that hedge the exposure to variability in expected future cash flows are designated as cash flow hedges. The Company records changes in the fair value of these derivatives as a component of accumulated other comprehensive income (loss) ("AOCI") and subsequently reclassifies the related gains or losses into cost of revenue or operating expense in the same period, or periods, during which the hedged transaction affects earnings. The Company evaluates the effectiveness of its cash flow hedges on a quarterly basis and does not exclude any component of the changes in fair value of the derivative instruments for effectiveness testing purposes. The Company classifies cash flows related to its cash flow hedges as operating activities in its consolidated statements of cash flows.

Derivative instruments that hedge the exposure to variability in the fair value of assets or liabilities or hedge monetary assets and liabilities denominated in certain foreign currencies are not designated as hedges for financial reporting purposes. The Company records changes in the fair value of these derivatives in other income (expense), net in the consolidated statements of operations. The Company classifies cash flows related to these derivatives as operating activities in its consolidated statements of cash flows.

The Company has master netting agreements with each of its counterparties, which permit net settlement of multiple, separate derivative contracts with a single payment. The Company does not have collateral requirements with any of its counterparties. Although the Company is allowed to present the fair value of derivative instruments on a net basis according to master netting arrangements, the Company has elected to present its derivative instruments on a gross basis in the consolidated financial statements. The Company's derivative instruments generally have maturities of 18 months or less. The Company does not use derivative instruments for trading or speculative purposes.

Concentration of Risks

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash and cash equivalents, marketable securities, accounts receivable, and derivative instruments. The primary focus of the Company's investment strategy is to preserve capital and meet liquidity requirements. The Company invests its excess cash in highly rated money market funds and in marketable securities. The Company extends credit to customers in the normal course of business. The Company maintains an allowance for expected credit losses on customers' accounts when deemed necessary. The Company mitigates its counterparty credit risk related to derivative instruments by transacting with major financial institutions with high credit ratings.

No customer represented 10% or greater of total revenue for the years ended December 31, 2024, 2023, and 2022. No customer represented 10% or greater of gross accounts receivable as of December 31, 2024 and 2023.

Deferred Contract Acquisition Costs

The Company capitalizes incremental costs of obtaining a contract with a customer if such costs are recoverable. Such costs primarily consist of sales commissions earned by the Company's sales force and the associated payroll taxes. Sales commissions for new revenue contracts, including incremental sales to existing customers, are deferred and then amortized over an estimated period of benefit, which the Company has determined to be one to five years. To determine the period of benefit, the Company has considered its technology development cycle, the cadence of software releases, the nature of its customer contracts, the duration of customer relationships, and the expected renewal period. Sales commissions for renewal contracts (which are not considered commensurate with sales commissions for new revenue contracts and incremental sales to existing customers) are deferred and then amortized over the renewal contract term.

Amortization of deferred contract acquisition costs is included in sales and marketing expenses in the consolidated statements of operations. The Company periodically reviews the carrying amount of deferred contract acquisition costs to determine whether events or changes in circumstances have occurred that could impact the period of benefit of these deferred costs. The Company did not recognize any impairment of deferred contract acquisition costs during the years ended December 31, 2024, 2023, and 2022.

Capitalized Software Costs

Software development costs for software to be sold, leased, or otherwise marketed are expensed as incurred until the establishment of technological feasibility, at which time those costs are capitalized until the product is available for general release to customers and amortized over the estimated life of the product. Technological feasibility is established upon the completion of a working prototype that has been certified as having no critical bugs and is a release candidate. Costs to develop software that is marketed externally have not been capitalized as the current software development process is essentially completed concurrently with the establishment of technological feasibility and were not material for the periods presented. As such, all related software development costs are expensed as incurred and included in research and development expenses in the consolidated statements of operations.

Costs related to software acquired, developed, or modified solely to meet the Company's internal requirements are capitalized. Costs incurred during the preliminary planning and evaluation stage of the project and during the post-implementation operational stage are expensed as incurred. Costs incurred during the application development stage of the project are capitalized within property and equipment, net on the consolidated balance sheets. Amortization is computed using the straight-line method over the estimated useful life of the capitalized software asset, which is generally three to five years. The amortization of internal-use software costs is included in cost of revenue in the consolidated statements of operations. The Company evaluates the useful life of these assets on a periodic basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets. The Company did not recognize any impairment of capitalized internal-use software costs during the years ended December 31, 2024, 2023, and 2022.

Property and Equipment, Net

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Repairs and maintenance costs are expensed as incurred. The estimated lives of the Company's assets are as follows:

	Useful Lives
Computers, equipment, and software	3 years
Furniture and fixtures	5 years
Leasehold improvements	Shorter of the remaining lease term or useful life

The Company periodically reviews the remaining estimated useful lives of its property and equipment. If the estimated useful life assumption for any asset is changed due to new information, the remaining unamortized balance would be depreciated or amortized over the revised estimated useful life on a prospective basis.

Upon retirement or sale, the cost of assets disposed of and the related accumulated depreciation and amortization are removed from the consolidated financial statements and any resulting gain or loss is reflected in the consolidated statements of operations. There were no material gains or losses incurred as a result of retirement or sale during the years ended December 31, 2024, 2023, and 2022.

Leases

Leases arise from contractual obligations that convey the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. The Company determines if a contract is, or contains, a lease at contract inception. All of the Company's leases are operating leases and are included in operating lease right-of-use assets, operating lease liabilities, and operating lease liabilities, non-current on the consolidated balance sheets.

The Company accounts for lease components and non-lease components as a single lease component for all leases. The Company has elected an accounting policy to not recognize short-term leases, which have a lease term of twelve months or less, on the consolidated balance sheets.

Operating lease right-of-use assets and operating lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term discounted using the Company's incremental borrowing rate. Operating lease right-of-use assets also include any lease payments made and exclude lease incentives. As the Company's leases do not provide an implicit rate, the incremental borrowing rate used is estimated based on what the Company would have to pay on a collateralized basis in the currency in which the arrangement is denominated over a similar term as the lease. Lease payments include fixed payments and variable payments based on an index or rate, if any, and are recognized as lease expense on a straight-line basis over the term of the lease. The lease term includes options to extend or terminate the lease when it is reasonably certain they will be exercised. Variable lease payments not based on a rate or index are expensed as incurred.

Business Combinations

When the Company acquires a business, the purchase consideration is allocated to the tangible and intangible assets acquired and liabilities assumed at their estimated acquisition date fair values. The excess of the purchase consideration over the fair value of assets acquired and liabilities assumed, if any, is recorded as goodwill. Determining the fair value of intangible assets requires the use of estimates including, but not limited to, the selection of valuation methodologies, time and resources required to recreate the assets acquired, and selection of comparable companies. The Company's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. During the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the fair values of assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded in the consolidated statement of operations.

Impairment of Goodwill, Intangible Assets, and Other Long-Lived Assets

The Company evaluates the recoverability of long-lived assets, including property and equipment, operating lease right-of-use assets, and acquired intangible assets, for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be fully recoverable. Recoverability of these assets is measured by a comparison of the carrying amounts to the undiscounted future cash flows the assets are expected to generate. If the carrying amount exceeds the undiscounted future cash flows, the carrying amount of such assets is reduced to fair value. There were no impairment charges related to long-lived assets during the years ended December 31, 2024, 2023, and 2022.

Goodwill is not amortized but rather tested for impairment at least annually in the fourth quarter or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill impairment is recognized when the quantitative assessment results in the carrying value of the reporting unit exceeding its fair value, in which case an impairment charge is recorded to the extent the carrying value exceeds the fair value, limited to the amount of goodwill. There were no goodwill impairment charges during years ended December 31, 2024 and 2023.

Convertible Senior Notes

The Company accounts for its convertible senior notes wholly as debt. Debt issuance costs incurred in connection with the issuance of the Company's convertible senior notes are reflected in the consolidated balance sheets as a direct deduction from the carrying amount of the outstanding convertible senior notes. These costs are amortized as interest expense using the effective interest rate method over the contractual term of the convertible senior notes and is included within other income (expense), net on the consolidated statements of operations.

Deferred Revenue

Deferred revenue, which is a contract liability, primarily consists of customer billings or payments received in advance of revenue being recognized from the Company's subscription and services contracts. The Company generally invoices customers annually in advance for its term-based licenses and typically annually in advance or monthly in arrears for its SaaS offering. Typical payment terms range from net 30 to net 60 days of the invoice date. Deferred revenue that is anticipated to be recognized during the succeeding twelve-month period is recorded as deferred revenue within current liabilities and the remaining portion is recorded as deferred revenue, non-current. The Company records deferred revenue upon the right to invoice or when payments have been received for subscriptions or services not delivered. Deferred revenue does not necessarily represent the total contract value of the related agreements.

Revenue Recognition

The Company generates revenue from the sale of subscriptions and services. Subscription revenue consists of subscriptions to Confluent Cloud, a fully-managed SaaS offering that is entirely cloud-native, Confluent Platform, a self-managed offering for on-premise deployments, and WarpStream, a BYOC managed streaming service where the raw data resides inside a customer's own cloud environment. Confluent Cloud and WarpStream customers may purchase subscriptions either without a commitment contract on a month-to-month basis, which the Company refers to as pay-as-you-go, or under a usage-based commitment contract of at least one year in duration, in which customers commit to specified per-usage rates. Revenue from the Company's pay-as-you-go and WarpStream arrangements were immaterial portions of subscription revenue during the years ended December 31, 2024, 2023, and 2022. The Company primarily enters into subscription contracts with one-year terms, and subscription contracts are generally non-cancelable and non-refundable, although customers can terminate for breach if the Company materially fails to perform. Services revenue consists of revenue from professional services and education services. The Company generates sales of its subscriptions and services through its sales teams, self-service channel, and partner ecosystem, including the major cloud provider marketplaces.

The consolidated financial statements reflect the Company's accounting for revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"). Under ASC 606, the Company recognizes revenue when its customers obtain control of promised subscriptions or services in an amount that reflects the consideration that the Company expects to receive in exchange for those subscriptions or services. In determining the appropriate amount of revenue to be recognized as the Company fulfills its obligations under each of its agreements, the following steps are performed:

(i) *identification of the contract with a customer*

The Company generally contracts with customers through order forms, which are governed by master sales agreements, and through cloud provider marketplaces. The Company determines that it has a contract with a customer when the contract is approved, each party's rights regarding the subscriptions or services to be transferred and the payment terms for the services can be identified, the Company has determined the customer has the ability and intent to pay, and the contract has commercial substance. The Company applies judgment in determining the customer's ability and intent to pay, which is based on a variety of factors, including the customer's historical payment experience or, in the case of a new customer, credit, financial, or other information pertaining to the customer.

When a contract is entered into, the Company evaluates whether the contract is part of a larger arrangement and should be accounted for with other contracts and whether the combined or single contract includes more than one performance obligation.

(ii) *identification of the performance obligations in the contract*

Performance obligations are identified based on the subscriptions and services that will be transferred to the customer that are both (1) capable of being distinct, whereby the customer can benefit from the subscriptions or services either on their own or together with other resources that are readily available from third parties or from the Company, and (2) distinct in the context of the contract, whereby the transfer of the subscriptions and services is separately identifiable from other promises in the contract. Where applicable, the Company also identifies material rights as performance obligations. To the extent a contract includes multiple promised subscriptions or services, the Company applies judgment to determine whether promised subscriptions or services are capable of being distinct and distinct in the context of the contract. If these criteria are not met, or if performance obligations follow the same pattern of recognition, the promised subscriptions or services are accounted for as a combined performance obligation. The Company has concluded that its contracts with customers do not contain warranties that give rise to a separate performance obligation.

(iii) *measurement of the transaction price*

The transaction price is the total amount of consideration the Company expects to be entitled to in exchange for the subscriptions and services in a contract. The transaction price in a usage-based SaaS contract is typically equal to the commitment in the contract, less any discounts provided. Variable consideration is included in the transaction price if, in the Company's judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. The vast majority of Company's contracts do not contain a material significant financing component.

(iv) *allocation of the transaction price to the performance obligations;*

If a contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. For contracts that contain multiple performance obligations, the Company allocates the transaction price using a relative SSP allocation based on the SSPs of each performance obligation. Determining the relative SSP for contracts that contain multiple performance obligations is a critical accounting estimate. The Company establishes each SSP based on multiple factors, including prices at which the Company separately sells standalone subscriptions and services. In cases where directly observable standalone sales are not available, such as when license and PCS are not sold on a standalone basis, the Company establishes SSP by using information such as historical selling price of performance obligations in similar transactions, market conditions, and the Company's pricing practices, which can require significant judgment and are subject to change based on continuous reevaluation. There may be more than one SSP for individual subscriptions and services due to the stratification of subscription support tiers and services. The Company also considers if there are any additional material rights inherent in a contract, and if so, it allocates revenue to the material right as a performance obligation.

(v) *recognition of revenue when the Company satisfies each performance obligation;*

The Company recognizes revenue at the time the related performance obligation is satisfied, in an amount that reflects the consideration it expects to be entitled to in exchange for those subscriptions or services. The Company records its revenue net of any withholding, value added or sales tax, as well as any discounts or marketing development funds.

Subscription Revenue

The Company's subscription revenue includes revenue from Confluent Cloud and WarpStream for its usage-based commitment contracts and pay-as-you-go arrangements, which is recognized on a usage basis, as usage represents a direct measurement of the value to the customer of the subscription transferred as of a particular date relative to the total value to be delivered over the term of the contract.

The Company's subscription revenue also includes revenue from Confluent Platform for term-based licenses sold in conjunction with post-contract customer support, maintenance, and upgrades, referred to together as PCS. The license provides the right to use licensed proprietary software features, which represents significant standalone functionality and is therefore deemed a distinct performance obligation. License revenue is recognized at a point in time, upon delivery and transfer of control of the underlying license to the customer, which is typically the effective start date. Revenue from PCS is based on its continuous pattern of transfer to the customer and therefore is recognized ratably over the contract term.

Services Revenue

The Company's services revenue includes revenue from professional services and education services, which are generally sold on a time-and-materials basis. The Company recognizes the associated revenue as services are delivered.

Cost of Revenue

Cost of Subscription Revenue

Cost of subscription revenue primarily includes personnel-related costs, including salaries, bonuses, benefits, and stock-based compensation, for employees associated with customer support and maintenance, third-party cloud infrastructure costs, amortization of internal-use software and acquired intangible assets, and allocated overhead.

Cost of Services Revenue

Cost of services revenue primarily includes personnel-related costs, including salaries, bonuses, benefits, and stock-based compensation, for employees associated with professional services and education services, costs of third-party consultants and partners who supplement our services delivery team, and allocated overhead.

Research and Development Costs

Research and development costs are expensed as incurred and consist primarily of personnel-related costs, including salaries, bonuses, benefits, and stock-based compensation, net of amounts capitalized, third-party cloud infrastructure expenses incurred in developing the Company's offering, software and subscription services dedicated for use by the Company's research and development organization, contractor and professional services fees, and allocated overhead.

Advertising Costs

Advertising costs are expensed as incurred or when the advertising first takes place, based on the nature of the advertising, and are recorded in sales and marketing expenses in the consolidated statements of operations. Advertising expense was \$31.5 million, \$27.7 million, and \$28.7 million, for the years ended December 31, 2024, 2023, and 2022, respectively.

Stock-Based Compensation

The Company records compensation expense in connection with all stock-based awards, including stock options and restricted stock units ("RSUs") granted to employees and non-employees and stock purchase rights granted under the Employee Stock Purchase Plan ("ESPP") to employees, based on the fair value of the awards granted. The Company uses the Black-Scholes option-pricing model to determine the fair value of stock options and ESPP rights on the dates of grant. Calculating the fair value of stock options and ESPP rights using the Black-Scholes model requires certain highly subjective inputs and assumptions including the fair value of the underlying common stock, the expected term of the stock option or ESPP right, and the expected volatility of the price of the Company's common stock. The fair value of each RSU is based on the fair value of the Company's common stock on the date of grant.

For stock-based awards that vest based only on continuous service, stock-based compensation expense is recognized on a straight-line basis over the requisite service period, which is generally the vesting period of two to four years. For awards with both a service-based and a performance-based vesting condition, stock-based compensation expense is recognized using the accelerated attribution method over the requisite service period, from the time it is probable that the vesting condition will be met through the time the service-based vesting condition has been achieved. The Company has also granted certain options containing a provision whereby vesting is accelerated upon a change in control; stock-based compensation expense for such options is recognized on a straight-line basis over a vesting period of generally four years, as a change in control is considered to be outside of the Company's control and is not considered probable until it occurs. Forfeitures are accounted for as they occur.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and net operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax law in effect for the years in which the temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period that includes the enactment date.

A valuation allowance is recorded for deferred tax assets if it is more likely than not that some portion or all of the deferred tax assets will not be realized. Accordingly, the need to establish such allowances is assessed periodically by considering matters such as future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, and results of recent operations.

The Company evaluates and accounts for the benefits of uncertain tax positions using a two-step approach. Recognition, step one, occurs when the Company concludes that a tax position, based solely on its technical merits, is more likely than not to be sustained upon examination. Measurement, step two, determines the largest amount of benefit that is greater than 50% likely to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

Net Loss Per Share

The Company computes basic and diluted net loss per share attributable to Class A and Class B common stockholders using the two-class method required for companies with participating securities. The Company considers unvested common stock to be participating securities, as the holders of such securities have non-forfeitable dividend rights in the event that a dividend is paid on common stock.

Basic net loss per share is computed by dividing net loss by the weighted-average number of shares outstanding during the period, excluding unvested common stock that is subject to repurchase and unvested restricted common stock. Basic and diluted net loss per share were the same for the years ended December 31, 2024, 2023, and 2022, as the inclusion of all potentially dilutive shares was anti-dilutive due to the net loss reported for each period.

The rights, including the liquidation and dividend rights, of the holders of Class A and Class B common stock are identical, except with respect to voting, converting, and transfer rights. As the liquidation and dividend rights are identical, the undistributed earnings are allocated on a proportionate basis to each class of common stock and the resulting basic and diluted net loss per share are, therefore, the same for both Class A and Class B common stock on an individual or combined basis.

Segment and Geographic Information

The Company operates its business as one operating and reportable segment as the Company's chief operating decision maker ("CODM"), the Company's Chief Executive Officer, reviews financial information on a consolidated basis for purposes of allocating resources and evaluating financial performance. The Company's CODM primarily uses consolidated net loss as the measure of profit or loss to facilitate analysis of the Company's financial trends, and for internal planning and forecasting purposes. Consolidated expense information included on the consolidated statements of operations and total stock-based compensation expense included in Note 11 Stockholders' Equity are regularly provided to the CODM.

As of December 31, 2024 and 2023, substantially all of the Company's long-lived assets, including property and equipment, net, and operating right-of-use assets were located in the United States. See Note 10 for revenue disaggregated by geographic markets.

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

Segment Reporting: In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires disclosure of incremental segment information on an annual and interim basis. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, and requires retrospective application to all prior periods presented in the financial statements. The Company adopted this guidance for the year ended December 31, 2024 and the adoption did not have a material impact on its consolidated financial statements and disclosures.

Recent Accounting Pronouncements Not Yet Adopted

Income Taxes: In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires disclosure of disaggregated income taxes paid, prescribes standard categories for the components of the effective tax rate reconciliation, and modifies other income tax-related disclosures. This ASU is effective for fiscal years beginning after December 15, 2024, and may be applied on a retrospective or prospective basis. The Company is currently evaluating the impact of adopting this ASU on its consolidated financial statements and disclosures.

Income Statement — Reporting Comprehensive Income: In November 2024, the FASB issued ASU No. 2024-03, *Income Statement — Reporting Comprehensive Income — Expense Disaggregation Disclosures (Subtopic 220-40)*, which requires additional disclosure about certain costs and expenses in the notes to the consolidated financial statements on an interim and annual basis. This ASU is effective for fiscal years beginning after December 15, 2026, and interim periods beginning after December 15, 2027, and may be applied on a retrospective or prospective basis. The Company is currently evaluating the impact of adopting this ASU on its consolidated financial statements and disclosures.

3. Marketable Securities

The following tables summarize the fair values of the Company's marketable securities (in thousands):

	December 31, 2024			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. treasury securities	\$ 667,102	\$ 1,022	\$ (473)	\$ 667,651
Corporate notes and bonds	514,655	1,157	(199)	515,613
U.S. agency obligations	253,886	402	(353)	253,935
Commercial paper	80,357	21	-	80,378
Time deposits	7,006	-	-	7,006
Total marketable securities	<u>\$ 1,523,006</u>	<u>\$ 2,602</u>	<u>\$ (1,025)</u>	<u>\$ 1,524,583</u>

	December 31, 2023			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. treasury securities	\$ 834,235	\$ 257	\$ (1,355)	\$ 833,137
U.S. agency obligations	403,035	599	(875)	402,759
Corporate notes and bonds	279,328	838	(457)	279,709
Commercial paper	35,407	-	(3)	35,404
Total marketable securities	<u>\$ 1,552,005</u>	<u>\$ 1,694</u>	<u>\$ (2,690)</u>	<u>\$ 1,551,009</u>

The following tables summarize the fair values and unrealized losses of the Company's marketable securities, classified by the length of time that the securities have been in a continuous unrealized loss position (in thousands):

	December 31, 2024					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. treasury securities	\$ 135,641	\$ (473)	\$ -	\$ -	\$ 135,641	\$ (473)
U.S. agency obligations	114,378	(353)	-	-	114,378	(353)
Corporate notes and bonds	89,794	(191)	18,813	(8)	108,607	(199)
Total	<u>\$ 339,813</u>	<u>\$ (1,017)</u>	<u>\$ 18,813</u>	<u>\$ (8)</u>	<u>\$ 358,626</u>	<u>\$ (1,025)</u>

	December 31, 2023					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. treasury securities	\$ 487,260	\$ (1,074)	\$ 46,130	\$ (281)	\$ 533,390	\$ (1,355)
U.S. agency obligations	206,105	(390)	80,657	(485)	286,762	(875)
Corporate notes and bonds	100,295	(293)	31,277	(164)	131,572	(457)
Commercial paper	6,810	(3)	-	-	6,810	(3)
Total	<u>\$ 800,470</u>	<u>\$ (1,760)</u>	<u>\$ 158,064</u>	<u>\$ (930)</u>	<u>\$ 958,534</u>	<u>\$ (2,690)</u>

For available-for-sale debt securities in an unrealized loss position, the Company does not intend to sell these securities and it is more likely than not that the Company will hold these securities until maturity or a recovery of the cost basis. The Company determined that the decline in fair value of these securities was not due to credit-related factors, and no allowance for expected credit losses was recorded as of December 31, 2024 and 2023. Realized gains and losses were not material for the years ended December 31, 2024, 2023, and 2022.

The following table summarizes the contractual maturities of the Company's marketable securities (in thousands):

	December 31, 2024	
	Amortized Cost	Fair Value
Due within one year	\$ 1,025,678	\$ 1,027,248
Due after one year through five years	497,328	497,335
Total	<u>\$ 1,523,006</u>	<u>\$ 1,524,583</u>

4. Fair Value of Financial Instruments

The following tables summarize the Company's financial assets and liabilities that are measured at fair value on a recurring basis (in thousands):

	December 31, 2024		
	Level 1	Level 2	Total
Assets:			
Cash equivalents:			
Money market funds	\$ 326,576	\$ -	\$ 326,576
U.S. treasury securities	-	11,489	11,489
Marketable securities:			
U.S. treasury securities	-	667,651	667,651
Corporate notes and bonds	-	515,613	515,613
U.S. agency obligations	-	253,935	253,935
Commercial paper	-	80,378	80,378
Time deposits	-	7,006	7,006
Derivative instruments:			
Foreign currency forward contracts	-	1,062	1,062
Total assets	<u>\$ 326,576</u>	<u>\$ 1,537,134</u>	<u>\$ 1,863,710</u>
Liabilities:			
Derivative instruments:			
Foreign currency forward contracts	\$ -	\$ 5,914	\$ 5,914
Total liabilities	<u>\$ -</u>	<u>\$ 5,914</u>	<u>\$ 5,914</u>

	December 31, 2023		
	Level 1	Level 2	Total
Assets:			
Cash equivalents:			
Money market funds	\$ 264,923	\$ -	\$ 264,923
U.S. treasury securities	-	52,130	52,130
Marketable securities:			
U.S. treasury securities	-	833,137	833,137
U.S. agency obligations	-	402,759	402,759
Corporate notes and bonds	-	279,709	279,709
Commercial paper	-	35,404	35,404
Derivative instruments:			
Foreign currency forward contracts	-	3,219	3,219
Total assets	<u>\$ 264,923</u>	<u>\$ 1,606,358</u>	<u>\$ 1,871,281</u>
Liabilities:			
Derivative instruments:			
Foreign currency forward contracts	\$ -	\$ 1,272	\$ 1,272
Total liabilities	<u>\$ -</u>	<u>\$ 1,272</u>	<u>\$ 1,272</u>

The Company classifies its highly liquid money market funds within Level 1 of the fair value hierarchy because they are valued based on quoted market prices in active markets. The Company classifies its U.S. treasury securities, corporate notes and bonds, U.S. agency obligations, commercial paper, time deposits, and foreign currency forward contracts within Level 2 of the fair value hierarchy because they are valued using inputs other than quoted prices that are directly or indirectly observable in the market, including readily available pricing sources for the identical underlying security that may not be actively traded. There were no transfers of financial instruments between valuation levels during the years ended December 31, 2024, 2023, and 2022.

As of December 31, 2024 and 2023, the total estimated fair value of the Company's 0% convertible senior notes due 2027 was \$988.7 million and \$917.9 million, respectively. The fair value was determined based on the quoted price of the convertible senior notes in an inactive market on the last trading day of the reporting period and is classified within Level 2 of the fair value hierarchy. See Note 8 for further information on the Company's convertible senior notes.

5. Derivative Instruments and Hedging

The following table summarizes the notional amounts of the Company's derivative instruments (in thousands):

	December 31, 2024		December 31, 2023	
Foreign currency forward contracts designated as hedging instruments	\$	180,754	\$	125,617
Foreign currency forward contracts not designated as hedging instruments		95,191		99,918
Total derivative instruments	\$	275,945	\$	225,535

The following table summarizes the fair value of the Company's derivative instruments on the consolidated balance sheets (in thousands):

	Balance Sheet Location	December 31, 2024		December 31, 2023	
Derivative Assets:					
Foreign currency forward contracts designated as hedging instruments	Prepaid expenses and other current assets	\$	205	\$	1,789
Foreign currency forward contracts not designated as hedging instruments	Prepaid expenses and other current assets		716		906
Foreign currency forward contracts designated as hedging instruments	Other assets, non-current		141		524
Total derivative assets		\$	1,062	\$	3,219
Derivative Liabilities:					
Foreign currency forward contracts designated as hedging instruments	Accrued expenses and other liabilities	\$	3,829	\$	18
Foreign currency forward contracts not designated as hedging instruments	Accrued expenses and other liabilities		1,368		1,239
Foreign currency forward contracts designated as hedging instruments	Other liabilities, non-current		717		15
Total derivative liabilities		\$	5,914	\$	1,272

The following table presents the activity of foreign currency forward contracts designated as hedging instruments and the impact of these derivatives on AOCI (in thousands):

	Year Ended December 31,		
	2024	2023	2022
Beginning balance	\$ 2,280	\$ 653	\$ -
Net (loss) gain recognized in other comprehensive (loss) income	(4,995)	3,035	653
Net gain reclassified from AOCI to earnings	(1,485)	(1,408)	-
Ending balance	\$ (4,200)	\$ 2,280	\$ 653

As of December 31, 2024, \$4.2 million of net unrealized losses was included in the balance of accumulated other comprehensive income (loss) related to foreign currency forward contracts designated as hedging instruments. The Company expects to reclassify \$4.3 million of unrealized losses from accumulated other comprehensive income (loss) into earnings over the next 12 months.

The following table summarizes the effect of foreign currency forward contracts on the consolidated statements of operations (in thousands):

	Derivatives Designated as Hedging Instruments		Derivatives Not Designated as Hedging Instruments	
	December 31,		December 31,	
	2024	2023	2024	2023
Cost of revenue - subscription	\$ 213	\$ 150	\$ -	\$ -
Cost of revenue - services	118	103	-	-
Research and development	219	325	-	-
Sales and marketing	690	614	-	-
General and administrative	245	216	-	-
Other expense, net	-	-	(1,964)	(83)
Total gains (losses) recognized in earnings	\$ 1,485	\$ 1,408	\$ (1,964)	\$ (83)

6. Balance Sheet Components

Property and Equipment, Net

The cost and accumulated depreciation and amortization of property and equipment were as follows (in thousands):

	December 31, 2024	December 31, 2023
Computers, equipment, and software	\$ 12,664	\$ 11,300
Furniture and fixtures	1,047	916
Leasehold improvements	416	380
Capitalized internal-use software costs	74,395	38,999
Construction in progress - capitalized internal-use software costs	33,731	27,831
Property and equipment, at cost	\$ 122,253	\$ 79,426
Less: Accumulated depreciation and amortization	(43,573)	(25,414)
Property and equipment, net	\$ 78,680	\$ 54,012

Depreciation and amortization expense was \$19.7 million, \$13.4 million, and \$7.6 million for the years ended December 31, 2024, 2023, and 2022, respectively.

Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consisted of the following (in thousands):

	December 31, 2024	December 31, 2023
Accrued compensation and benefits	\$ 76,308	\$ 74,497
Accrued income taxes	27,313	2,264
Accrued commissions	22,735	17,418
Accrued expenses	17,771	13,471
Accrued payroll taxes	15,940	9,162
Employee contributions under employee stock purchase plan	12,606	13,946
Other liabilities	21,577	11,089
Total accrued expenses and other liabilities	\$ 194,250	\$ 141,847

7. Business Combinations, Goodwill, and Intangible Assets

2024 Business Combination

In September 2024, the Company acquired all outstanding shares of WarpStream Labs, Inc. (“WarpStream Labs”), an Apache Kafka-compatible data streaming platform. The Company acquired WarpStream Labs primarily for its talent and to add WarpStream Labs’ BYOC data streaming solution to the Company’s product portfolio to serve customers who want a cloud-native streaming offering in their own cloud account.

The total preliminary purchase consideration of \$135.1 million consisted of \$132.5 million of cash and \$2.6 million for the fair value of 132,476 shares of the Company’s Class A common stock. In allocating the purchase consideration, the Company preliminarily recorded \$16.9 million of cash acquired, \$6.8 million as a developed technology intangible asset, to be amortized on a straight-line basis over an estimated useful life of five years, and \$112.4 million of goodwill. The goodwill is primarily attributed to the assembled workforce and expected synergies arising from the acquisition, and is not deductible for income tax purposes. The purchase price allocation is subject to measurement period adjustments until September 2025.

The Company also entered into holdback agreements with certain employees of WarpStream Labs, pursuant to which the Company issued \$7.9 million in restricted Class A common stock and will pay up to an aggregate of \$76.2 million in cash. The vesting and payout of the restricted common stock and holdback cash is subject to continued employment over three years and achievement of certain milestones, and is recorded as post-combination compensation expense within operating expenses over the requisite service period for accounting purposes. The Company deposited \$8.6 million of the holdback cash into an escrow account upon closing of the acquisition, and the Company recorded this amount within prepaid expenses and other current assets on the consolidated balance sheets. Total compensation expense related to the holdback agreements during the year ended December 31, 2024 was \$9.5 million. See Note 11 Stockholders’ Equity for further information.

Transaction costs associated with the acquisition incurred during the year ended December 31, 2024 were not material and were recorded as general and administrative expenses in the consolidated statements of operations. The results of operations of WarpStream Labs included in the Company’s consolidated financial statements since the date of acquisition were not material. Pro forma results of operations have not been presented because they were not material to the consolidated results of operations.

2023 Business Combinations

In January 2023, the Company acquired all outstanding shares of immerok GmbH (“Immerok”), an Apache Flink stream processing managed services company, for purchase consideration of \$54.9 million in cash. The Company acquired Immerok primarily for its talent and developed technology. In allocating the purchase consideration, the Company recorded \$9.1 million of cash acquired, \$2.6 million as a developed technology intangible asset, to be amortized on a straight-line basis over an estimated useful life of five years, and \$43.5 million of goodwill. The goodwill is primarily attributed to the assembled workforce and expected synergies arising from the acquisition, and is not deductible for income tax purposes.

The Company also entered into holdback agreements with certain employees of Immerok, pursuant to which the Company will pay up to an aggregate of \$52.3 million in cash. The vesting and payout of the holdback is subject to continued employment and achievement of certain milestones over three years, and is recorded as post-combination compensation expense within operating expenses over the requisite service period for accounting purposes. The Company recognized compensation expense of \$17.4 million related to the holdback agreements for both the years ended December 31, 2024 and 2023.

In December 2023, the Company acquired certain assets of Noteable, Inc. for purchase consideration of \$10.0 million in cash. The Company has accounted for this transaction as a business combination. In allocating the purchase consideration, the Company recorded \$1.5 million as a developed technology intangible asset, to be amortized on a straight-line basis over an estimated useful life of one year, and \$8.5 million of goodwill, which is deductible for income tax purposes.

Transaction costs associated with each of the fiscal 2023 business combinations above were not material during the years ended December 31, 2024 and 2023 and were recorded as general and administrative expenses in the consolidated statements of operations. From the respective dates of acquisition, the results of operations of the business combinations included in the Company’s consolidated financial statements were not material. Pro forma results of operations have not been presented because they were not material to the consolidated results of operations.

Goodwill

Additions to goodwill were \$112.4 million during the year ended December 31, 2024. Goodwill as of December 31, 2024 and December 31, 2023 was \$164.4 million and \$52.0 million, respectively.

Intangible Assets, Net

Intangible assets, net consisted of the following (in thousands):

	December 31, 2024		
	Gross	Accumulated Amortization	Net
Developed technology	\$ 10,856	\$ (2,932)	\$ 7,924
Total	\$ 10,856	\$ (2,932)	\$ 7,924

	December 31, 2023		
	Gross	Accumulated Amortization	Net
Developed technology	\$ 4,056	\$ (564)	\$ 3,492
Total	\$ 4,056	\$ (564)	\$ 3,492

Amortization expense was \$2.4 million and not material for the years ended December 31, 2024 and 2023, respectively.

As of December 31, 2024, future amortization expense is expected to be as follows (in thousands):

Year Ending December 31,	Amount
2025	\$ 1,870
2026	1,870
2027	1,870
2028	1,374
2029	940
Total	\$ 7,924

8. Convertible Senior Notes

In December 2021, the Company issued \$1.1 billion aggregate principal amount of 0% convertible senior notes due 2027 (the “2027 Notes”), including the exercise in full of the initial purchasers’ option to purchase up to an additional \$100.0 million principal amount of the 2027 Notes, in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The 2027 Notes are general unsecured obligations of the Company and will mature on January 15, 2027, unless earlier converted, redeemed, or repurchased. The 2027 Notes do not bear regular interest, and the principal amount of the 2027 Notes will not accrete. Special interest, if any, is payable semiannually in arrears on January 15 and July 15 of each year, beginning on July 15, 2022 (if and to the extent that special interest is then payable on the 2027 Notes). No special interest has been paid in connection with the 2027 Notes to date. The total net proceeds from the offering, after deducting initial purchasers’ discounts and debt issuance costs, were \$1,080.5 million.

The initial conversion rate is 9.9936 shares of the Company’s Class A common stock per \$1,000 principal amount of 2027 Notes (equivalent to an initial conversion price of approximately \$100.06 per share of the Company’s Class A common stock), subject to adjustment as set forth in the indenture governing the 2027 Notes (the “Indenture”). The 2027 Notes are convertible at the option of the holders at any time prior to the close of business on the business day immediately preceding October 15, 2026, only under the following conditions:

- (1) during any calendar quarter commencing after the calendar quarter ending on March 31, 2022 (and only during such calendar quarter), if the last reported sale price of the Company's Class A common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price for the 2027 Notes on each applicable trading day;
- (2) during the five business day period after any ten consecutive trading day period (the "measurement period") in which the trading price per \$1,000 principal amount of the 2027 Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company's Class A common stock and the conversion rate for the 2027 Notes on each such trading day;
- (3) if the Company calls such 2027 Notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date, but only with respect to the 2027 Notes called (or deemed called) for redemption; or
- (4) upon the occurrence of specified corporate events as set forth in the Indenture.

On or after October 15, 2026, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders of the 2027 Notes may convert all or any portion of their 2027 Notes at any time, at the option of the holder regardless of the foregoing conditions. Upon conversion, the Company may satisfy its conversion obligation by paying or delivering, as the case may be, cash, shares of Class A common stock or a combination of cash and shares of Class A common stock, at the Company's election, in the manner and subject to the terms and conditions provided in the Indenture. In addition, following certain corporate events that occur prior to the maturity date of the 2027 Notes or if the Company delivers a notice of redemption in respect of the 2027 Notes, the Company will, under certain circumstances, increase the conversion rate of the 2027 Notes for a holder who elects to convert its 2027 Notes in connection with such a corporate event or convert its 2027 Notes called (or deemed called) for redemption in connection with such notice of redemption, as the case may be.

During the year ended December 31, 2024, the conditions allowing holders of the 2027 Notes to convert have not been met. The 2027 Notes were therefore not convertible and were classified as long-term debt on the Company's consolidated balance sheets as of December 31, 2024.

The Company may not redeem the 2027 Notes prior to January 20, 2025. The Company may redeem for cash all or any portion of the 2027 Notes (subject to the certain limitations described in the Indenture), at its option, on or after January 20, 2025, if the last reported sale price of the Company's Class A common stock has been at least 130% of the conversion price for the 2027 Notes then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the 2027 Notes to be redeemed, plus accrued and unpaid special interest, if any, to, but excluding, the redemption date. If the Company redeems less than all of the outstanding 2027 Notes, at least \$100.0 million aggregate principal amount of 2027 Notes must be outstanding and not subject to redemption as of, and after giving effect to, delivery of the relevant notice of redemption. No sinking fund is provided for the 2027 Notes.

The Company incurred \$19.5 million of debt issuance costs related to the 2027 Notes. These costs are amortized to interest expense included within other income (expense), net on the consolidated statements of operations over the contractual term of the 2027 Notes at an effective interest rate of 0.35%. Amortization of debt issuance costs was \$3.8 million for the years ended December 31, 2024, 2023, and 2022.

The net carrying amount of the 2027 Notes was as follows (in thousands):

	December 31, 2024	December 31, 2023
Principal	\$ 1,100,000	\$ 1,100,000
Unamortized debt issuance costs	(7,851)	(11,687)
Net carrying amount	<u>\$ 1,092,149</u>	<u>\$ 1,088,313</u>

Capped Calls

In connection with the pricing of the 2027 Notes and the exercise in full by the initial purchasers of their option to purchase additional 2027 Notes, the Company entered into capped call transactions with certain of the initial purchasers of the 2027 Notes or their respective affiliates and other financial institutions (the “Capped Calls”). The Capped Calls each have an initial strike price of approximately \$100.06 per share, subject to certain adjustments, which corresponds to the initial conversion price of the 2027 Notes. The Capped Calls have initial cap prices of \$138.02 per share, subject to certain adjustments. The Capped Calls associated with the 2027 Notes cover, subject to anti-dilution adjustments, approximately 11.0 million shares of the Company’s Class A common stock. The Capped Calls are expected generally to reduce the potential dilution to the Company’s Class A common stock upon any conversion of the 2027 Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of converted 2027 Notes, as the case may be, with such reduction and/or offset subject to a cap based on the cap price. For accounting purposes, the Capped Calls are separate transactions and not part of the terms of the 2027 Notes. As these transactions meet certain accounting criteria, the Capped Calls are recorded in stockholders’ equity and are not accounted for as derivatives. The cost of \$91.0 million incurred to purchase the Capped Calls was recorded as a reduction to additional paid-in capital and will not be remeasured.

9. Commitments and Contingencies

Leases

The Company has entered into non-cancelable operating leases, primarily for the rent of office space expiring at various dates through 2029. Certain lease agreements contain an option for the Company to renew the lease for a term of up to five years or an option to terminate the lease early within three years of lease termination. The Company considers these options in determining the lease term and minimum lease payments on a lease-by-lease basis. None of the Company’s lease agreements contain any material non-lease components, material residual value guarantees, or material restrictive covenants.

In 2019, the Company was issued a letter of credit of \$8.2 million for its office space in Mountain View, California. The letter of credit was reduced to \$6.5 million during the year ended December 31, 2024. No draws have been made under the letter of credit as of December 31, 2024 and 2023.

In addition, the Company subleased certain floors of its unoccupied office space that expired at various dates in 2022. Sublease income was recorded as a reduction of lease expense and was not material for the year ended December 31, 2022. There was no sublease income during the years ended December 31, 2024 and 2023.

For the years ended December 31, 2024, 2023, and 2022, lease expense, net of sublease income of \$4.9 million, \$20.9 million, and \$10.1 million is included in operating expenses in the consolidated statements of operations, respectively. Lease expense for the year ended December 31, 2023 includes \$15.7 million of lease abandonment charges related to the cease use of certain leased office space recorded within restructuring and other related charges in the consolidated statements of operations. See Note 12 for further information on the Company’s restructuring actions. The Company did not have any material variable lease costs or short-term lease costs for the years ended December 31, 2024, 2023, and 2022. Cash paid for amounts included in the measurement of operating lease liabilities was \$11.1 million, \$8.7 million, and \$10.7 million for the years ended December 31, 2024, 2023, and 2022, respectively.

As of December 31, 2024 and 2023, the weighted-average remaining lease term of the Company’s operating leases was 2.0 and 2.8 years, respectively. As of December 31, 2024 and 2023, the weighted-average discount rate used to measure the present value of the operating lease liabilities was 4.7% and 4.3%, respectively.

The Company's future minimum lease payments under non-cancelable operating leases as of December 31, 2024 were as follows (in thousands):

Year Ending December 31,	Minimum Lease Payments	
2025	\$	9,375
2026		8,162
2027		653
2028		392
2029		163
Total minimum lease payments		18,745
Less: Imputed interest		(913)
Present value of future minimum lease payments	\$	17,832

Purchase Obligations

As of December 31, 2024, future payments under non-cancelable purchase obligations, primarily related to third-party cloud infrastructure agreements under which the Company is granted access to use certain cloud services, were as follows (in thousands):

Year Ending December 31,	Purchase Obligations	
2025	\$	193,417
2026		216,428
2027		175,998
2028		23,469
2029		1,269
Total	\$	610,581

Legal Matters

From time to time, the Company has become involved in claims and other legal matters arising in the ordinary course of business. The Company investigates these claims as they arise. As of December 31, 2024 and 2023, the Company is not aware of any matters that would individually or taken together have a material adverse effect on the Company's results of operations, financial position, or cash flows.

Indemnification

The Company enters into indemnification provisions under its agreements with other companies in the ordinary course of business, including customers, business partners, landlords, and certain third-party vendors. Under these arrangements, the Company agrees to indemnify, hold harmless, and reimburse the indemnified party for certain losses suffered or incurred by the indemnified party resulting from certain Company activities. The terms of these indemnification agreements are generally perpetual and the maximum potential amount of future payments the Company could be required to make under these agreements is not determinable. As of December 31, 2024 and 2023, the Company has not incurred material costs to defend lawsuits or settle claims related to these indemnification agreements. The Company maintained commercial general liability insurance and product liability insurance during the years ended December 31, 2024, 2023, and 2022 to offset certain of the Company's potential liabilities under these indemnification provisions.

The Company also indemnifies certain of its officers, directors, and certain key employees while they are serving in good faith in their respective capacities. As of December 31, 2024 and 2023, the Company has not incurred material costs to defend lawsuits or settle claims related to these indemnification agreements.

10. Revenue

Disaggregation of Revenue

The following table sets forth revenue disaggregated by geographic markets based on the location of the customer and by subscription and service categories (dollars in thousands):

	Year Ended December 31,					
	2024		2023		2022	
Geographic markets:						
United States	\$	576,760	60 %	\$	464,857	62 %
International		386,882	40 %		312,095	38 %
Total revenue	\$	963,642	100 %	\$	776,952	100 %
Subscriptions and services:						
Confluent Platform - License	\$	97,360	10 %	\$	84,025	11 %
Confluent Platform - PCS		332,860	35 %		296,245	38 %
Confluent Cloud ⁽¹⁾		491,871	51 %		348,842	45 %
Subscription		922,091	96 %		729,112	94 %
Services		41,551	4 %		47,840	6 %
Total revenue	\$	963,642	100 %	\$	776,952	100 %

⁽¹⁾ Includes revenue from WarpStream since the date of acquisition, which was not material for the year ended December 31, 2024

Other than the United States, no individual country represented 10% or more of total revenue during the years ended December 31, 2024, 2023, and 2022.

Remaining Performance Obligations (“RPO”)

RPO represent the amount of contracted future revenue that has not yet been recognized as of the end of each period, including both deferred revenue that has been invoiced and non-cancelable committed amounts that will be invoiced and recognized as revenue in future periods. RPO exclude pay-as-you-go arrangements. As of December 31, 2024, the Company’s RPO was \$1,008.6 million, approximately 64% of which is expected to be recognized as revenue over the next 12 months and the substantial majority of the remainder in the next 13 to 36 months. Actual amounts or timing of revenue recognized may differ due to subsequent contract modifications.

Deferred Revenue

Deferred revenue, including current and non-current balances as of December 31, 2024 and 2023, was \$409.2 million and \$353.0 million, respectively. For the years ended December 31, 2024, 2023, and 2022, revenue recognized from deferred revenue at the beginning of each year was \$331.2 million, \$285.6 million, and \$221.1 million, respectively.

Deferred Contract Acquisition Costs

The following table summarizes the activity of deferred contract acquisition costs (in thousands):

	Year Ended December 31,	
	2024	2023
Beginning balance	\$ 119,752	\$ 104,284
Capitalization of contract acquisition costs	53,245	61,356
Amortization of deferred contract acquisition costs	(54,258)	(45,888)
Ending balance	\$ 118,739	\$ 119,752

11. Stockholders' Equity

Preferred Stock

In connection with its IPO, the Company's amended and restated certificate of incorporation became effective, which authorized the issuance of 10,000,000 shares of undesignated preferred stock with a par value of \$0.00001 per share with rights and preferences, including voting rights, designated from time to time by the board of directors.

Common Stock

The Company has two classes of common stock: Class A common stock and Class B common stock. In connection with its IPO, the Company's amended and restated certificate of incorporation authorized the issuance of 1,000,000,000 shares of Class A common stock and 500,000,000 shares of Class B common stock. The shares of Class A common stock and Class B common stock are identical, except with respect to voting, converting, and transfer rights. Each share of Class A common stock is entitled to one vote. Each share of Class B common stock is entitled to ten votes. Class A and Class B common stock have a par value of \$0.00001 per share and are referred to as common stock throughout the notes to the consolidated financial statements, unless otherwise noted. Holders of common stock are entitled to receive any dividends as may be declared from time to time by the board of directors.

Each share of Class B common stock is convertible at any time at the option of the holder into one share of Class A common stock. Any holder's shares of Class B common stock will convert automatically to Class A common stock, on a one-to-one basis, upon the following: (i) sale or transfer of such share of Class B common stock, except for permitted transfers as described in the amended and restated certificate of incorporation; (ii) the death or incapacity of the Class B common stockholder (or nine months after the date of the death or incapacity if the stockholder is one of the Company's founders); and (iii) on the final conversion date, defined as the earliest of (a) the date fixed by our board of directors that is no less than 61 days and no more than 180 days following the date on which the outstanding shares of Class B common stock represent less than 10% of the then outstanding shares of Class A and Class B common stock; (b) the last trading day of the fiscal year following the tenth anniversary of the Company's IPO; or (c) the date specified by a vote of the holders of a majority of the outstanding shares of Class B common stock, voting as a single class.

Common Stock Reserved for Future Issuance

The Company has reserved the following shares of common stock for future issuance:

	December 31, 2024	December 31, 2023
2014 Stock Plan:		
Options outstanding	23,142,966	31,112,073
Restricted stock units outstanding	277,960	1,042,303
2021 Equity Incentive Plan:		
Options outstanding	22,500	22,500
Restricted stock units outstanding	20,277,922	22,650,063
Remaining shares available for future issuance	44,279,867	37,289,144
2021 Employee Stock Purchase Plan	10,139,193	8,166,130
Total	98,140,408	100,282,213

Equity Incentive Plans

In September 2014, the Company’s board of directors adopted and the Company’s stockholders approved the 2014 Stock Plan (the “2014 Plan”). The 2014 Plan was also amended and restated in March 2021 and June 2021. Under the 2014 Plan, the board of directors may grant stock options and other equity-based awards to eligible employees, directors, and consultants. The 2014 Plan was terminated in June 2021 in connection with the IPO, but continues to govern the terms of outstanding awards that were granted prior to the termination of the 2014 Plan. No further equity awards will be granted under the 2014 Plan. With the establishment of the 2021 Equity Incentive Plan (the “2021 Plan”), upon the expiration, forfeiture, cancellation, or reacquisition of any shares of Class B common stock underlying outstanding stock-based awards granted under the 2014 Plan, an equal number of shares of Class A common stock will become available for grant under the 2021 Plan. Equity-based awards granted under the 2014 Plan and the 2021 Plan generally vest over two to four years. All stock option grants expire ten years from the date of grant.

In April 2021, the Company’s board of directors adopted, and in June 2021, the Company’s stockholders approved, the 2021 Plan, which became effective at the time of the execution of the underwriting agreement related to the Company’s IPO. The 2021 Plan provides for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock awards, restricted stock units awards, performance awards, and other forms of awards to employees, directors, and consultants, including employees and consultants of the Company’s affiliates. A total of 25,812,876 shares of the Company’s Class A common stock have been reserved for future issuance under the 2021 Plan in addition to (i) the shares that remained available for grant of future awards under the 2014 Plan at the time the 2021 Plan became effective, (ii) shares underlying outstanding stock awards granted under the 2014 Plan that expire, or are forfeited, cancelled, or reacquired, as described above, and (iii) any automatic increases in the number of shares of Class A common stock reserved for future issuance under this plan. On January 1, 2024, the shares available for grant under the 2021 Plan were automatically increased by 15,575,577 shares pursuant to the 2021 Plan.

In April 2021, the Company’s board of directors adopted, and in June 2021, the Company’s stockholders approved, the 2021 Employee Stock Purchase Plan (the “2021 ESPP”), which became effective at the time of the execution of the underwriting agreement related to the Company’s IPO. The 2021 ESPP authorizes the issuance of shares of Class A common stock pursuant to purchase rights granted to employees. A total of 5,162,575 shares of the Company’s Class A common stock have been reserved for future issuance under the 2021 ESPP, in addition to any automatic increases in the number of shares of Class A common stock reserved for future issuance under this plan. On January 1, 2024, the shares available for grant under the 2021 ESPP were automatically increased by 3,115,115 shares pursuant to the 2021 ESPP.

Except for the initial offering period, the 2021 ESPP provides for 12-month offering periods generally beginning on February 16 and August 16 of each year, and each offering period consists of two six-month purchase periods. The price at which Class A common stock is purchased under the 2021 ESPP is equal to 85% of the lesser of (1) the fair market value of the Company’s Class A common stock on the offering date or (2) the fair market value of the Company’s Class A common stock on the purchase date.

The 2021 ESPP offers a rollover feature pursuant to which, if the fair market value of a share of Class A common stock on the first trading day of a new purchase period is lower than the fair market value on the offering date, that offering period will terminate and participants will be automatically enrolled in a new 12-month offering period. ESPP rollovers occurred in August 2022, February 2023, and August 2024, which triggered new 12-month offering periods. The rollovers were accounted for as a modification to the original offering and resulted in incremental stock-based compensation expense to be recognized over the remaining requisite service periods. The incremental stock-based compensation was not material for the August 2022 and February 2023 rollovers, and \$4.3 million for the August 2024 rollover.

Equity Awards Outstanding

The following table summarizes stock equity award activity and activity regarding shares available for grant under the 2014 Plan and the 2021 Plan:

	Equity Awards Outstanding				
	Shares Available for Grant	Outstanding Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Balance as of December 31, 2023	37,289,144	31,134,573	\$ 7.98	6.01	\$ 480,766
Increase in authorized shares	15,575,577	-	\$ -		
Stock options exercised	-	(7,454,089)	\$ 7.57		
Stock options forfeited or expired	515,018	(515,018)	\$ 14.60		
RSUs granted	(13,016,264)	-	\$ -		
RSUs forfeited or cancelled	3,916,392	-	\$ -		
Balance as of December 31, 2024	<u>44,279,867</u>	<u>23,165,466</u>	\$ 7.97	4.95	\$ 463,750
Vested as of December 31, 2024		<u>22,187,929</u>	\$ 7.81	4.93	\$ 447,688
Vested and expected to vest as of December 31, 2024		<u>23,165,466</u>	\$ 7.97	4.95	\$ 463,750

Aggregate intrinsic value represents the difference between the exercise price of the options to purchase common stock and the estimated fair value of the Company's common stock. The intrinsic value of options exercised was \$153.1 million, \$241.0 million, and \$382.4 million for the years ended December 31, 2024, 2023, and 2022, respectively. No options were granted during the years ended December 31, 2024, 2023, and 2022. The total grant-date fair value of stock options vested was \$44.8 million, \$62.8 million, and \$108.1 million during the years ended December 31, 2024, 2023, and 2022, respectively.

Early Exercised Options

All stock option holders have the right to exercise unvested options, which are subject to a repurchase right held by the Company at the original exercise price in the event of voluntary or involuntary termination of employment of the stockholder. As of December 31, 2024 and December 31, 2023, there were 8,173 and 135,013 shares that had been early exercised and were subject to repurchase, respectively. The proceeds related to early exercised options are recorded as liabilities within accrued expenses and other liabilities and other liabilities, non-current on the consolidated balance sheets until the options vest, at which point they are reclassified to equity. As of December 31, 2024 and December 31, 2023, the liabilities for early exercised options subject to repurchase were not material and \$1.3 million, respectively.

Shares issued for early exercised options are included in issued and outstanding shares as they are legally issued and outstanding, but are not deemed outstanding for accounting purposes until the shares vest.

RSUs

The following table summarizes RSU activity under the 2014 Plan and the 2021 Plan:

	RSUs Outstanding	
	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested balance as of December 31, 2023	23,692,366	\$ 28.44
RSUs granted	13,016,264	\$ 26.55
RSUs vested	(12,236,356)	\$ 28.49
RSUs forfeited or cancelled	(3,916,392)	\$ 29.70
Unvested balance as of December 31, 2024	20,555,882	\$ 26.97

The total grant-date fair value of RSUs vested was \$348.5 million, \$281.5 million, and \$160.3 million during the years ended December 31, 2024, 2023, and 2022, respectively.

Restricted Common Stock

During the year ended December 31, 2024, in connection with the WarpStream Labs business combination discussed in Note 7 Business Combinations, the Company issued 397,436 shares of Class A common stock to certain employees of WarpStream Labs. These shares are subject to holdback arrangements, pursuant to which the vesting is subject to continued employment over three years and achievement of certain milestones. The \$7.9 million fair value of these shares is accounted for as post-combination stock-based compensation expense using the accelerated attribution method over the requisite service period when it is probable the performance-based vesting condition will be achieved. As of December 31, 2024, 397,436 shares remained unvested.

Restricted common stock is included in issued and outstanding shares as they are legally issued and outstanding, but are not deemed outstanding for accounting purposes until the shares vest.

Determination of Fair Value

The Company estimates the fair value of stock options and ESPP rights using the Black-Scholes option-pricing model, which is dependent upon several variables, such as the fair value of the Company's common stock, the expected option term, expected volatility of the Company's stock price over the expected term, expected risk-free interest rate over the expected option term, and expected dividend yield.

Fair Value of Common Stock: Since the Company's IPO, the fair value of the Company's common stock is determined by the closing price, on the date of grant, of its Class A common stock, which is traded on the Nasdaq Global Select Market.

Expected Term: For option grants subject to service-based vesting conditions only, the expected term represents the period that the Company's stock options are expected to be outstanding and is calculated using the simplified method for options that have only service-based vesting conditions. The simplified method deems the term to be the average of the time-to-vesting and the contractual life of the options. For other option grants, the Company estimates the expected term using historical data on employee exercises and post-vesting employment termination behavior, considering the contractual life of the award.

Expected Volatility: Prior to July 2023, the expected volatility was derived from the average historical stock volatilities of public companies within the Company's industry that it considers to be comparable to its business, over a period equivalent to the expected term of the stock options, since the Company did not have a sufficient trading history of its common stock. Beginning in July 2023, the Company uses a weighted average volatility of its Class A common stock and the stocks of public companies within the Company's industry to develop its expected volatility assumption.

Risk-Free Interest Rate: The Company bases the risk-free interest rate on the implied yield available on U.S. Treasury zero-coupon notes with maturities equivalent to the option's expected term.

Expected Dividend Yield: The Company has not issued any dividends in its history and does not expect to issue dividends over the life of the options and therefore has estimated the dividend yield to be zero.

The fair value of employee stock purchase rights for offerings under the 2021 ESPP were estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Year Ended December 31,		
	2024	2023	2022
Expected term (in years)	0.50 - 1.00	0.49 - 1.00	0.49 - 1.00
Expected volatility	51.3% - 71.2%	58.5% - 79.7%	55.0% - 82.1%
Risk-free interest rate	4.5% - 5.3%	5.0% - 5.5%	0.7% - 3.3%
Expected dividend yield	0%	0%	0%

Stock-Based Compensation Expense

Total stock-based compensation expense was as follows (in thousands):

	Year Ended December 31,		
	2024	2023	2022
Cost of revenue - subscription	\$ 27,133	\$ 25,620	\$ 23,136
Cost of revenue - services	9,306	11,096	9,253
Research and development	166,468	139,809	101,499
Sales and marketing	134,015	124,568	99,366
General and administrative	58,738	48,740	44,402
Stock-based compensation, net of amounts capitalized	\$ 395,660	\$ 349,833	\$ 277,656
Capitalized stock-based compensation	19,891	17,943	7,544
Total stock-based compensation	<u>\$ 415,551</u>	<u>\$ 367,776</u>	<u>\$ 285,200</u>

As of December 31, 2024, there was \$506.5 million of unrecognized stock-based compensation expense, which is expected to be recognized over a weighted-average period of 1.8 years.

12. Restructuring and Other Related Charges

In January 2023, the Company approved restructuring actions (the “Restructuring Plan”) to adjust its cost structure and real estate footprint. The Restructuring Plan includes a reduction of approximately 8% of the Company’s global workforce as of December 31, 2022. During the year ended December 31, 2023, the Company recorded restructuring and other related charges of \$34.9 million, consisting of \$19.2 million related to employee transition and severance payments, employee benefits, and related facilitation costs, and \$15.7 million of lease abandonment charges. The Restructuring Plan was substantially completed as of June 30, 2023.

The following table summarizes the Company’s liability for restructuring-related employee termination benefits included in accrued expenses and other current liabilities on the consolidated balance sheets (in thousands):

		Employee Termination Benefits
Balance as of January 1, 2023	\$	-
Restructuring charges		19,187
Cash payments		(19,187)
Balance as of December 31, 2023	\$	-

13. Income Taxes

The components of loss before income taxes were as follows (in thousands):

	Year Ended December 31,		
	2024	2023	2022
Domestic	\$ (357,558)	\$ (428,346)	\$ (461,919)
Foreign	22,897	21,672	15,661
Loss before income taxes	<u>\$ (334,661)</u>	<u>\$ (406,674)</u>	<u>\$ (446,258)</u>

The components of provision for income taxes were as follows (in thousands):

	Year Ended December 31,		
	2024	2023	2022
Current			
Federal	\$ 646	\$ -	\$ -
State	536	371	337
Foreign	9,938	33,812	6,193
Total	<u>11,120</u>	<u>34,183</u>	<u>6,530</u>
Deferred			
Federal	(807)	2	-
State	(164)	1	-
Foreign	255	1,886	(237)
Total	<u>(716)</u>	<u>1,889</u>	<u>(237)</u>
Provision for income taxes	<u>\$ 10,404</u>	<u>\$ 36,072</u>	<u>\$ 6,293</u>

In December 2023, the Company completed an intra-group transfer of acquired intellectual property related to the acquisition of immerok GmbH and recognized foreign current tax expense of \$26.4 million resulting from the intra-group transfer. This foreign current tax expense is recorded within accrued expenses and other liabilities as of December 31, 2024 and other liabilities, non-current as of December 31, 2023 on the consolidated balance sheets. The Company recorded a U.S. deferred tax asset of \$17.8 million from a step-up in the tax basis of the intellectual property. Based on available objective evidence, the Company believes it is more likely than not that the additional U.S. deferred tax asset will not be realizable and is therefore offset by a full valuation allowance as of December 31, 2024 and December 31, 2023.

The Company's effective tax rate substantially differed from the federal statutory tax rate of 21% partially due to the election to waive certain deductions subject to the Base Erosion and Anti-Abuse Tax ("BEAT"). The reconciliation of the income tax benefit computed at the federal statutory tax rate to the Company's provision for income taxes was as follows (in thousands):

	Year Ended December 31,		
	2024	2023	2022
Income tax benefit computed at federal statutory rate	\$ (70,279)	\$ (85,401)	\$ (93,714)
Foreign rate differential	5,539	2,107	2,668
Stock-based compensation expense	4,897	88	(14,145)
Change in valuation allowance	69,814	97,923	122,724
Research and development credits	(17,895)	(13,049)	(11,581)
Intra-group transfer of acquired intellectual property	-	26,358	-
BEAT waiver election	13,125	-	-
Non-deductible expenses	5,662	4,495	-
Other	(459)	3,551	341
Provision for income taxes	<u>\$ 10,404</u>	<u>\$ 36,072</u>	<u>\$ 6,293</u>

The significant components of net deferred tax balances were as follows (in thousands):

	December 31,	
	2024	2023
Deferred tax assets:		
Net operating loss carryforwards	\$ 356,996	\$ 369,107
Capitalized research and development costs	187,955	119,960
Tax credit carryforwards	87,616	63,096
Intangible assets	37,729	17,791
Stock-based compensation expense	26,314	27,840
Accruals and reserves	13,465	16,948
Other	12,345	17,450
Total deferred tax assets	722,420	632,192
Less: Valuation allowance	(671,718)	(587,738)
Deferred tax assets, net of valuation allowance	50,702	44,454
Deferred tax liabilities:		
Deferred contract acquisition costs	(28,152)	(28,379)
Property and equipment	(17,912)	(11,765)
Other	(6,090)	(5,486)
Total deferred tax liabilities	(52,154)	(45,630)
Net deferred tax liabilities	<u>\$ (1,452)</u>	<u>\$ (1,176)</u>

The Company recognizes a valuation allowance on its deferred tax assets if it is more likely than not that some or all the deferred tax assets will not be realized. Due to a history of losses in the United States and United Kingdom, U.S. and U.K. deferred tax assets have been fully offset by a valuation allowance. The valuation allowance was \$671.7 million as of December 31, 2024 and increased by \$84.0 million during the year ended December 31, 2024 primarily due to increased capitalized research and development costs, tax credit carryforwards, and capitalized intangible asset costs. The valuation allowance was \$587.7 million as of December 31, 2023 and increased by \$126.5 million during the year ended December 31, 2023 primarily due to increased U.S. federal and state loss carryforwards, intangible assets, capitalized research and development costs, and tax credit carryforwards.

Based on the Company's assessment of the U.K.'s current income and anticipated future earnings, there is a reasonable possibility that the Company may have sufficient evidence to release a significant portion of the valuation allowance in the U.K. within the next 12 months. However, the Company's judgment regarding the U.K.'s future earnings and the exact timing and amount of any U.K. valuation allowance release are subject to change due to many factors, including future market conditions, the ability to successfully execute its business plans, and the amount of stock-based compensation tax deductions available in the future. Release of the U.K. valuation allowance would result in the recognition of net deferred tax assets on the Company's consolidated balance sheet and would decrease income tax expense in the period the release is recorded.

As of December 31, 2024, the Company has accrued \$2.7 million of deferred U.S. state income and foreign withholding taxes on amounts of non-U.S. earnings that the Company plans to repatriate. For the non-U.S. earnings the Company intends to indefinitely reinvest, the estimated amount of any incremental tax associated with such earnings is immaterial.

As of December 31, 2024, the Company had \$1,403.6 million of federal net operating loss carryforwards and \$560.8 million of state net operating loss carryforwards. The federal net operating loss carryforwards can be carried forward indefinitely, but are limited to 80% of annual taxable income. The state net operating loss carryforwards will begin to expire in 2025.

As of December 31, 2024, the Company had U.S. federal and state research tax credit carryforwards of \$87.5 million and \$38.0 million, respectively. The U.S. federal research tax credit carryforwards will begin to expire in 2038. The California research tax credit carryforwards can be carried forward indefinitely, while the research tax credit carryforwards for other states will begin to expire in 2026.

As of December 31, 2024, the Company had \$58.9 million of foreign net operating loss carryforwards. These foreign net operating loss carryforwards have an indefinite life and do not expire.

Under Section 382 of the Internal Revenue Code of 1986, as amended, and similar provisions of state law, utilization of net operating loss and tax credit carryforwards may be subject to an annual limitation due to an ownership change. As of December 31, 2024, the Company assessed that its net operating loss and tax credit carryforwards will not expire solely due to Section 382 limitations.

A reconciliation of the beginning and ending balances of total unrecognized tax benefits is as follows (in thousands):

	Year Ended December 31,		
	2024	2023	2022
Beginning balance	\$ 27,309	\$ 18,914	\$ 12,530
Gross increase for prior year tax positions	280	439	1
Gross decrease for prior year tax positions	(252)	(5)	(860)
Gross increase for current year tax positions	10,781	7,961	7,243
Ending balance	<u>\$ 38,118</u>	<u>\$ 27,309</u>	<u>\$ 18,914</u>

As of December 31, 2024, the total amount of unrecognized tax benefits, if recognized, would not affect the Company's effective tax rate due to the existence of carryforwards and the valuation allowance in the United States and applicable U.S. state jurisdictions.

The Company does not expect its gross unrecognized tax benefits to change significantly within the next 12 months. It is reasonably possible that certain unrecognized tax benefits may increase or decrease within the next 12 months due to tax examination changes, settlement activities, or the impact on recognition and measurement considerations related to the results of published tax cases or other similar activities.

The Company recognizes interest and penalties related to uncertain tax positions in benefit from income taxes in the consolidated statements of operations. There were no interest and penalties associated with unrecognized income tax benefits for the years ended December 31, 2024, 2023, and 2022.

The Company's tax years from inception in 2014 through December 31, 2024 remain subject to examination by various jurisdictions.

14. Net Loss Per Share

The following table presents the calculation of basic and diluted net loss per share (in thousands, except share and per share data):

	Year Ended December 31,		
	2024	2023	2022
Numerator:			
Net loss	\$ (345,065)	\$ (442,746)	\$ (452,551)
Denominator:			
Weighted-average shares used to compute net loss per share, basic and diluted	321,863,416	300,727,487	280,080,357
Net loss per share, basic and diluted	\$ (1.07)	\$ (1.47)	\$ (1.62)

The following outstanding potentially dilutive shares were excluded from the computation of diluted net loss per share attributable to the Company's Class A and Class B common stockholders for the periods presented because the impact of including them would have been anti-dilutive:

	December 31, 2024	December 31, 2023	December 31, 2022
Stock options	23,165,466	31,134,573	45,299,079
Unvested restricted common stock and early exercised stock options	405,609	135,013	578,119
RSUs	20,555,882	23,692,366	19,953,456
ESPP	1,375,702	870,502	1,428,206
Shares issuable upon conversion of the 2027 Notes	10,992,960	10,992,960	10,992,960
Total	56,495,619	66,825,414	78,251,820

The Company calculates the potential dilutive effect of its 2027 Notes under the if-converted method. Under this method, diluted net loss per share is determined by assuming that all of the 2027 Notes were converted into shares of the Company's Class A common stock at the beginning of the reporting period.

In connection with the issuance of the 2027 Notes, the Company entered into Capped Calls, which are not included for purposes of calculating the number of diluted weighted-average shares outstanding, as their effect would have been anti-dilutive. The Capped Calls are expected to partially offset the potential dilution to the Company's Class A common stock upon any conversion of the 2027 Notes.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), means controls and other procedures of a company that are designed to provide reasonable assurance that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2024, the end of the period covered by this Annual Report on Form 10-K, our disclosure controls and procedures were effective at the reasonable assurance level.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate “internal control over financial reporting,” as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our management conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2024 based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2024. The effectiveness of our internal control over financial reporting as of December 31, 2024 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report included in Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended December 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Item 9B. Other Information

Insider Trading Arrangements

During the three months ended December 31, 2024, our directors and officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated the contracts, instructions or written plans for the purchase or sale of the Company’s securities set forth in the table below.

Type of Trading Arrangement					Total Shares of Class A Common Stock to be	
Name and Position	Action	Adoption/ Termination Date	Rule 10b5-1*	Non-Rule 10b5-1**	Sold	Expiration Date
Eric Vishria - Director ⁽¹⁾	Adoption	12/13/2024	X		Up to 412,700	5/29/2026

* Contract, instruction or written plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act.

** “Non-Rule 10b5-1 trading arrangement” as defined in Item 408(c) of Regulation S-K under the Exchange Act.

⁽¹⁾ Represents the adoption of a Rule 10b5-1 trading plan by trusts affiliated with Eric Vishria.

Executive Officer Change in Control/Severance Benefit Plan

On February 12, 2025, our board of directors amended the Confluent, Inc. Executive Officer Change in Control/Severance Benefit Plan (as amended, the “Severance Plan”) pursuant to which the Company’s Chief Executive Officer (“CEO”) and other executive staff (“non-CEO E-Staff”), which includes the Company’s current named executive officers, are eligible to participate.

The Severance Plan provides that, in the event of a participant’s termination of employment by Confluent without “cause” or by the individual for “good reason” (each as defined in the Severance Plan) that occurs during the time period commencing three months prior to and ending 12 months following a change in control (referred to as the change in control period), we will provide the following severance benefits, contingent upon the conditions set forth in the Severance Plan (referred to as the severance conditions): (i) a lump sum cash payment equal to 18 months of base salary for our CEO and 12 months of base salary for our non-CEO E-Staff, (ii) a lump sum cash payment equal to 100% of the annual target cash bonus for the applicable fiscal year for both our CEO and non-CEO E-Staff, (iii) up to 18 months COBRA coverage for our CEO and up to 12 months of COBRA coverage for our non-CEO E-Staff, and (iv) 100% of the time-vesting equity awards will vest in full and become immediately exercisable for both our CEO and non-CEO E-Staff.

The Severance Plan also provides that, in the event of a participant’s termination of employment by the Company without “cause” outside of a change in control period, we will provide the following severance benefits, contingent upon the severance conditions: (i) a lump sum cash payment equal to 12 months of base salary for our CEO and six months of base salary for our non-CEO E-Staff and (ii) up to 12 months of COBRA coverage for our CEO and up to six months of COBRA coverage for our non-CEO E-Staff.

The benefits provided under the Severance Plan supersede any severance benefit plan, policy or practice previously maintained by Confluent or change in control severance arrangements described in a participant’s offer letter with Confluent, except that, if a participant has more favorable vesting acceleration provisions in another agreement with Confluent, the most favorable vesting provisions will apply.

A copy of the Severance Plan is attached as Exhibit 10.16 hereto and is incorporated herein by reference.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance

The information required by this Item (other than the information set forth in the next paragraph) will be included in the proxy statement for our 2025 annual meeting of stockholders to be filed with the SEC within 120 days after the end of our year ended December 31, 2024 (the “2025 Proxy Statement”), and is incorporated herein by reference.

We maintain a Code of Conduct that is applicable to all employees, executive officers and directors. Our Code of Conduct is available on our Investor Relations website at investors.confluent.io under “Governance - Governance Documents.” We expect that any amendments to the Code of Conduct, or any waivers of its requirements, will be disclosed on our website set forth above, if required by applicable law or the listing standards of The Nasdaq Global Select Market. The inclusion of our website address in this Annual Report on Form 10-K does not include or incorporate by reference into this Annual Report on Form 10-K the information on or accessible through our website.

Item 11. Executive Compensation

The information required by this Item will be included in the 2025 Proxy Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item will be included in the 2025 Proxy Statement and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item will be included in the 2025 Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by this Item will be included in the 2025 Proxy Statement and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

The following documents are filed as part of this Annual Report on Form 10-K:

(a) *Consolidated Financial Statements*

The consolidated financial statements are filed as part of this Annual Report on Form 10-K under “Item 8. Financial Statements and Supplementary Data.”

(b) *Financial Statement Schedules*

The financial statement schedules are omitted because they are either not applicable or the information required is presented in the financial statements and notes thereto under “Item 8. Financial Statements and Supplementary Data.”

(c) *Exhibits*

The exhibits listed in the following Exhibit Index are filed, furnished, or incorporated by reference as part of this Annual Report on Form 10-K.

Exhibit Index

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
3.1	Amended and Restated Certificate of Incorporation of Confluent, Inc.	8-K	001-40526	3.1	6-28-2021	
3.2	Amended and Restated Bylaws of Confluent, Inc.	10-Q	001-40526	3.2	5-3-2023	
4.1	Reference is made to Exhibits 3.1 and 3.2 .					
4.2	Form of Class A Common Stock Certificate.	S-1/A	333-256693	4.1	6-16-2021	
4.3	Indenture, dated as of December 13, 2021, by and between Confluent, Inc. and U.S. Bank National Association, as Trustee.	8-K	001-40526	4.1	12-14-2021	
4.4	Form of Global Note, representing Confluent, Inc.'s 0% Convertible Senior Notes due 2027 (included as Exhibit A to the Indenture filed as Exhibit 4.3).	8-K	001-40526	4.2	12-14-2021	
4.5	Description of Securities.					X
10.1+	Amended and Restated 2014 Stock Plan.	S-1/A	333-256693	10.2	6-16-2021	
10.2+	Forms of Option Agreement, Stock Option Grant Notice, Exercise Agreement, and Early Exercise Notice and Restricted Stock Purchase Agreement under the 2014 Stock Plan.	S-1/A	333-256693	10.3	6-16-2021	
10.3+	Forms of Restricted Stock Unit Grant Notice and Restricted Stock Unit Award Agreement under the 2014 Stock Plan.	S-1/A	333-256693	10.4	6-16-2021	
10.4+	2021 Equity Incentive Plan.	S-1/A	333-256693	10.5	6-16-2021	
10.5+	Forms of Notice of Stock Option Grant, Global Stock Option Agreement, and Exercise Notice under the 2021 Equity Incentive Plan.	S-1/A	333-256693	10.6	6-16-2021	
10.6+	Form of Restricted Stock Unit Award Agreement under the 2021 Equity Incentive Plan.	S-1/A	333-256693	10.7	6-16-2021	
10.7+	2021 Employee Stock Purchase Plan.	S-1/A	333-256693	10.8	6-16-2021	
10.8+	Form of Indemnification Agreement entered into by and between the Registrant and each director and executive officer.	S-1	333-256693	10.9	6-1-2021	
10.9+	Confirmatory Offer Letter by and between the Registrant and Edward Jay Kreps, dated May 28, 2021.	S-1/A	333-256693	10.10	6-16-2021	
10.10+	Promotion Letter between Confluent, Inc. and Rohan Sivaram, dated August 1, 2023.	8-K	001-40526	10.1	8-2-2023	
10.11+	Confirmatory Offer Letter by and between the Registrant and Erica Schultz, dated May 28, 2021.	S-1/A	333-256693	10.12	6-16-2021	
10.12+	Confirmatory Offer Letter by and between the Registrant and Stephanie Buscemi, dated October 21, 2022.	10-Q	001-40526	10.1	11-2-2022	
10.13+	Confirmatory Offer Letter by and between the Registrant and Chad Verbowski, dated October 19, 2022.	10-Q	001-40526	10.2	11-2-2022	
10.14	Net Lease Agreement by and between the Registrant and West Evelyn Bryant Office Partners, L.P., dated April 11, 2019.	S-1	333-256693	10.13	6-1-2021	
10.15+	Non-Employee Director Compensation Policy.	10-K	001-40526	10.16	2-21-2024	
10.16+	Executive Officer Change in Control/Severance Benefit Plan and related participation agreement.					X
10.17+	Cash Incentive Bonus Plan.	S-1	333-256693	10.16	6-1-2021	

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<u>10.18</u>	<u>Form of Confirmation for Capped Call Transactions.</u>	8-K	001-40526	10.1	12-14-2021	
<u>10.19+</u>	<u>Advisory Agreement by and between the Registrant and Chad Verbowski, dated November 24, 2024.</u>					X
<u>19</u>	<u>Confluent, Inc. Insider Trading Policy.</u>					X
<u>21.1</u>	<u>List of Subsidiaries of the Registrant.</u>					X
<u>23.1</u>	<u>Consent of Pricewaterhouse Coopers LLP, independent registered public accounting firm.</u>					X
<u>24.1</u>	<u>Power of Attorney (incorporated by reference to the signature page of this Annual Report on Form 10-K).</u>					X
<u>31.1</u>	<u>Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>					X
<u>31.2</u>	<u>Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>					X
<u>32.1*</u>	<u>Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>					X
<u>32.2*</u>	<u>Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>					X
<u>97</u>	<u>Confluent, Inc. Incentive Compensation Recoupment Policy.</u>	10-K	001-40526	97	2-21-2024	
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.					X
101.SCH	Inline XBRL Taxonomy Extension Schema with Embedded Linkbase Document.					X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).					X

+ Management contract or compensatory plan or arrangement.

* The certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Annual Report on Form 10-K and are not deemed “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall they be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act, irrespective of any general incorporation language contained in such filing.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, thereunto duly authorized.

Confluent, Inc.

Date: February 18, 2025

By:

/s/ Edward Jay Kreps
Edward Jay Kreps
Chief Executive Officer and Director

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Edward Jay Kreps and Rohan Sivaram, and each or any one of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-facts and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Edward Jay Kreps</u> Edward Jay Kreps	Chief Executive Officer and Director <i>(Principal Executive Officer)</i>	February 18, 2025
<u>/s/ Rohan Sivaram</u> Rohan Sivaram	Chief Financial Officer <i>(Principal Financial Officer)</i>	February 18, 2025
<u>/s/ Kong Phan</u> Kong Phan	Chief Accounting Officer <i>(Principal Accounting Officer)</i>	February 18, 2025
<u>/s/ Lara Caimi</u> Lara Caimi	Director	February 18, 2025
<u>/s/ Jonathan Chadwick</u> Jonathan Chadwick	Director	February 18, 2025
<u>/s/ Alyssa Henry</u> Alyssa Henry	Director	February 18, 2025
<u>/s/ Matthew Miller</u> Matthew Miller	Director	February 18, 2025
<u>/s/ Neha Narkhede</u> Neha Narkhede	Director	February 18, 2025
<u>/s/ Greg Schott</u> Greg Schott	Director	February 18, 2025
<u>/s/ Eric Vishria</u> Eric Vishria	Director	February 18, 2025
<u>/s/ Mike Volpi</u> Mike Volpi	Director	February 18, 2025

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

General

The following is a summary of the rights of our common and preferred stock and some of the provisions of our amended and restated certificate of incorporation, our amended and restated bylaws, and relevant provisions of Delaware General Corporation Law. The descriptions herein are qualified in their entirety by our amended and restated certificate of incorporation and amended and restated bylaws, copies of which have been filed as exhibits to our Annual Report on Form 10-K, as well as the relevant provisions of Delaware General Corporation Law.

Our amended and restated certificate of incorporation provides for two classes of common stock: Class A common stock and Class B common stock, and it authorizes shares of undesignated preferred stock, the rights, preferences and privileges of which may be designated from time to time by our board of directors.

Our authorized capital stock consists of the following shares, all with a par value of \$0.00001 per share, of which:

- 1,000,000,000 shares are designated as Class A common stock;
- 500,000,000 shares are designated as Class B common stock; and
- 10,000,000 shares are designated as preferred stock.

Class A and Class B Common Stock***Voting Rights***

Holders of Class A common stock are entitled to one vote per share on any matter that is submitted to a vote of our stockholders. Holders of our Class B common stock are entitled to 10 votes per share on any matter submitted to a vote of our stockholders. The holders of our Class A common stock and Class B common stock will vote together as a single class on all matters (including the election of directors) submitted to a vote of stockholders, unless otherwise required by Delaware law.

Under Delaware law, holders of our Class A common stock or Class B common stock would be entitled to vote as a separate class if a proposed amendment to our amended and restated certificate of incorporation would increase or decrease the aggregate number of authorized shares of such class, increase or decrease the par value of the shares of such class, or alter or change the powers, preferences, or special rights of the shares of such class so as to affect them adversely. As a result, in these limited instances, the holders of a majority of the Class A common stock could defeat any amendment to our amended and restated certificate of incorporation. For example, if a proposed amendment of our amended and restated certificate of incorporation provided for the Class A common stock to rank junior to the Class B common stock with respect to (1) any dividend or distribution, (2) the distribution of proceeds were we to be acquired, or (3) any other right, Delaware law would require the vote of the Class A common stock. In this

instance, the holders of a majority of Class A common stock could defeat that amendment to our amended and restated certificate of incorporation.

Our amended and restated certificate of incorporation does not provide for cumulative voting for the election of directors.

Economic Rights

Except as expressly provided in our amended and restated certificate of incorporation or required by applicable law, all shares of Class A common stock and Class B common stock have the same rights and privileges and rank equally, share ratably, and are identical in all respects for all matters, including those described below.

Dividends and Distributions

Subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of Class A common stock and Class B common stock will be entitled to share equally, identically, and ratably, on a per share basis, with respect to any dividend or distribution of cash or property paid or distributed by the company, unless different treatment of the shares of the affected class is approved by the affirmative vote of the holders of a majority of the outstanding shares of such affected class, voting separately as a class.

Under Delaware law, we can only pay dividends either out of “surplus” or out of the current or the immediately preceding year’s net profits. Surplus is defined as the excess, if any, at any given time, of the total assets of a corporation over its total liabilities and statutory capital. The value of a corporation’s assets can be measured in a number of ways and may not necessarily equal their book value.

Right to Receive Liquidation Distributions

On our liquidation, dissolution, or winding-up, the holders of Class A common stock and Class B common stock will be entitled to share equally, identically, and ratably in all assets remaining after the payment of any liabilities, liquidation preferences, and accrued or declared but unpaid dividends, if any, with respect to any outstanding preferred stock, unless a different treatment is approved by the affirmative vote of the holders of a majority of the outstanding shares of such affected class, voting separately as a class.

Change of Control Transactions

The holders of Class A common stock and Class B common stock will be treated equally and identically with respect to shares of Class A common stock or Class B common stock owned by them, unless different treatment of the shares of each class is approved by the affirmative vote of the holders of a majority of the outstanding shares of the class treated differently, voting separately as a class, on (a) the closing of the sale, lease, exclusive license or other disposition of all or substantially all of our assets, (b) the consummation of a consolidation, merger, or reorganization, other than any such consolidation, merger or reorganization in which the stockholders of the company immediately prior to such consolidation, merger or reorganization continue to hold a majority of the voting power of the surviving entity in substantially the same proportions (or, if the surviving entity is a wholly owned subsidiary of another entity, the surviving entity’s parent) immediately after such consolidation, merger or reorganization, or (c) any transaction or series of related transactions to which the company is a party in which greater than 50% of the company’s voting power is transferred; subject to certain exceptions. However, consideration to be paid or received by a holder of common stock in connection with any such assets sale, consolidation, merger, or reorganization

under any employment, consulting, severance, or other compensatory arrangement will be disregarded for the purposes of determining whether holders of common stock are treated equally and identically.

Subdivisions and Combinations

If we subdivide or combine in any manner outstanding shares of Class A common stock or Class B common stock, the outstanding shares of the other class will be subdivided or combined in the same proportion and manner.

No Preemptive or Similar Rights

Our Class A common stock and Class B common stock are not entitled to preemptive rights, and are not subject to conversion, redemption, or sinking fund provisions, except for the conversion provisions with respect to the Class B common stock described below.

Conversion

Each share of Class B common stock is convertible at any time at the option of the holder into one share of Class A common stock. Upon any transfer of shares of Class B common stock, whether or not for value, each such transferred share will automatically convert into one share of Class A common stock, except for certain transfers described in our amended and restated certificate of incorporation, including (i) transfers for tax and estate planning purposes, so long as the transferring holder continues to hold sole or, in the case of our founders, shared with family members, voting and dispositive power or, in the case of transfers to trusts, so long as the transferring holder or family members are beneficiaries of the trust; (ii) certain transfers to affiliated foundations so long as the transferring holder or family members continue to hold sole or shared voting and dispositive power over the shares; (iii) transfers of shares of Class B common stock to any of our founders; and (iv) transfers to the estates or heirs of any of our founders upon his or her death or incapacity.

Any holder's shares of Class B common stock will convert automatically into Class A common stock, on a one-to-one basis, upon the following: (1) sale or transfer of such share of Class B common stock, except for certain permitted transfers as described in the immediately preceding paragraph and in our amended and restated certificate of incorporation; (2) the death or incapacity of the Class B common stockholder (or nine months after the date of death or incapacity if the stockholder is one of our founders); and (3) on the final conversion date, defined as the earliest of (a) the date fixed by our board of directors that is no less than 61 days and no more than 180 days following the date on which the outstanding shares of Class B common stock represent less than 10% of the then outstanding shares of Class A common stock and Class B common stock; (b) December 31, 2031; or (c) the date specified by a vote of the holders of a majority of the outstanding shares of Class B common stock, voting as a single class.

Once transferred and converted into Class A common stock, the Class B common stock may not be reissued.

Fully Paid and Non-Assessable

All outstanding shares of our Class A common stock are fully paid and non-assessable.

Preferred Stock

Our board of directors may, without further action by our stockholders, fix the rights, preferences, privileges and restrictions of up to an aggregate of 10,000,000 shares of preferred stock in one or more

series and authorize their issuance. These rights, preferences and privileges could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of our common stock. The issuance of our preferred stock could adversely affect the voting power of holders of our common stock and the likelihood that such holders will receive dividend payments and payments upon liquidation. In addition, the issuance of preferred stock could have the effect of delaying, deferring or preventing a change of control or other corporate action.

Anti-Takeover Effects of Delaware Law and Our Certificate of Incorporation and Bylaws

Some provisions of Delaware law, our amended and restated certificate of incorporation, and our amended and restated bylaws contain provisions that could make the following transactions more difficult: an acquisition of us by means of a tender offer; an acquisition of us by means of a proxy contest or otherwise; or the removal of our incumbent officers and directors. It is possible that these provisions could make it more difficult to accomplish or could deter transactions that stockholders may otherwise consider to be in their best interest or in our best interests, including transactions which provide for payment of a premium over the market price for our shares.

These provisions, summarized below, are intended to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors. We believe that the benefits of the increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging these proposals because negotiation of these proposals could result in an improvement of their terms.

Preferred Stock

Our board of directors has the authority, without further action by our stockholders, to issue up to 10,000,000 shares of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by our board of directors. The existence of authorized but unissued shares of preferred stock would enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest, or other means.

Stockholder Meetings

Our amended and restated bylaws provide that a special meeting of stockholders may be called only by our chairperson of the board, chief executive officer, or by a resolution adopted by our board of directors.

Requirements for Advance Notification of Stockholder Nominations and Proposals

Our amended and restated bylaws establish advance notice procedures with respect to stockholder proposals to be brought before a stockholder meeting and the nomination of candidates for election as directors, other than nominations made by or at the direction of the board of directors or a committee of the board of directors.

Elimination of Stockholder Action by Written Consent

Our amended and restated certificate of incorporation and amended and restated bylaws eliminate the right of stockholders to act by written consent without a meeting.

Staggered Board

Our board of directors is divided into three classes. The directors in each class serve for a three-year term, one class being elected each year by our stockholders by a plurality of the votes cast. This system of electing and removing directors may tend to discourage a third party from making a tender offer or otherwise attempting to obtain control of us because it generally makes it more difficult for stockholders to replace a majority of the directors.

Removal of Directors

Our amended and restated certificate of incorporation provides that no member of our board of directors may be removed from office by our stockholders except for cause and, in addition to any other vote required by law, upon the approval of at least a majority of the total voting power of all of our outstanding voting stock then entitled to vote in the election of directors.

Stockholders Not Entitled to Cumulative Voting

Our amended and restated certificate of incorporation does not permit stockholders to cumulate their votes in the election of directors.

Delaware Anti-Takeover Statute

We are subject to Section 203 of the Delaware General Corporation Law, which prohibits persons deemed to be “interested stockholders” from engaging in a “business combination” with a publicly held Delaware corporation for three years following the date these persons become interested stockholders unless the business combination is, or the transaction in which the person became an interested stockholder was, approved in a prescribed manner or another prescribed exception applies. Generally, an “interested stockholder” is a person who, together with affiliates and associates, owns, or within three years prior to the determination of interested stockholder status did own, 15% or more of a corporation’s voting stock. Generally, a “business combination” includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. The existence of this provision may have an anti-takeover effect with respect to transactions not approved in advance by the board of directors.

Choice of Forum

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware (or, if and only if the Court of Chancery of the State of Delaware lacks subject matter jurisdiction, any state court located within the State of Delaware or, if and only if all such state courts lack subject matter jurisdiction, the federal district court for the District of Delaware) is the sole and exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: (i) any derivative action or proceeding brought on our behalf; (ii) any action or proceeding asserting a claim of breach of a fiduciary duty owed by any of our current or former directors, officers, or other employees to us or our stockholders, or any action asserting a claim for aiding and abetting such breach of fiduciary duty; (iii) any action or proceeding asserting a claim against us or any of our current or former directors, officers or other employees arising out of or pursuant to any provision of the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws; (iv) any action or proceeding to interpret, apply, enforce or determine the validity of our amended and restated certificate of incorporation or our amended and restated bylaws (including any right, obligation, or remedy thereunder); (v) any action or proceeding as to which the Delaware General Corporation Law confers jurisdiction to the Court of Chancery of the State of Delaware; and (vi) any action or proceeding asserting

a claim against us or any of our current or former directors, officers, or other employees that is governed by the internal affairs doctrine, in all cases to the fullest extent permitted by law and subject to the court’s having personal jurisdiction over the indispensable parties named as defendants.

This choice of forum provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. Our amended and restated certificate of incorporation further provides that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause or causes of action arising under the Securities Act, including all causes of action asserted against any defendant to such complaint. However, as Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder, there is uncertainty as to whether a court would enforce such provision.

For the avoidance of doubt, this provision is intended to benefit and may be enforced by us, our officers and directors, the underwriters to any offering giving rise to such complaint, and any other professional entity whose profession gives authority to a statement made by that person or entity and who has prepared or certified any part of the documents underlying an offering. Additionally, our amended and restated certificate of incorporation provides that any person or entity holding, owning or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to these provisions. We note that investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder.

Amendment of Charter Provisions

The amendment of any of the above provisions, except for the provision making it possible for our board of directors to issue preferred stock, would require approval by holders of at least two-thirds of the total voting power of all of our then-outstanding voting stock. The provisions of Delaware law, our amended and restated certificate of incorporation, and our amended and restated bylaws could have the effect of discouraging others from attempting hostile takeovers and, as a consequence, they may also inhibit temporary fluctuations in the market price of our Class A common stock that often result from actual or rumored hostile takeover attempts. These provisions may also have the effect of preventing changes in the composition of our board and management. It is possible that these provisions could make it more difficult to accomplish transactions that stockholders may otherwise deem to be in their best interests.

Transfer Agent and Registrar

The transfer agent and registrar for our Class A common stock and Class B common stock is Computershare Trust Company, N.A. The transfer agent and registrar’s address is 250 Royall Street, Canton, Massachusetts 02021.

Exchange Listing

Our Class A common stock is listed on The Nasdaq Global Select Market under the symbol “CFLT.”

CONFLUENT, INC.
EXECUTIVE OFFICER CHANGE IN CONTROL/
SEVERANCE BENEFIT PLAN

1 INTRODUCTION.

The Confluent, Inc. Executive Officer Change in Control/Severance Benefit Plan (the “*Plan*”) is hereby established effective upon the date of approval by the Board of Directors of Confluent, Inc. (“*Confluent*”) set forth above (the “*Effective Date*”). The purpose of the Plan is to provide for the payment of severance benefits to eligible officers of Confluent in the event that such officers become subject to certain involuntary or constructive employment terminations. This Plan will supersede any severance benefit plan, policy or practice previously maintained by Confluent or change in control severance arrangements described in such employee’s offer letter with Confluent. This Plan document also is the Summary Plan Description for the Plan. In addition, if a Change in Control has occurred, the Plan may not be terminated until the later of (a) the last day of the Change in Control Period or (b) the date on which all obligations under the Plan have been satisfied.

For purposes of the Plan, the following terms are defined as follows:

(a) “*Affiliate*” means any corporation (other than Confluent) in an “unbroken chain of corporations” beginning with Confluent, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(b) “*Base Salary*” means base pay (excluding incentive pay, premium pay, commissions, overtime, bonuses and other forms of variable compensation) as in effect prior to any reduction that would give rise to an officer’s right to a resignation for Good Reason.

(c) “*Board*” means the Board of Directors of Confluent; provided, however, that if the Board has delegated authority to administer the Plan to the Compensation Committee of the Board, then “*Board*” will also mean the Compensation Committee.

(d) “*Cause*” means, with respect to a particular Eligible Officer: (i) such officer’s conviction of, or plea of guilty or no contest to, any crime involving fraud, dishonesty or moral turpitude; (ii) such officer’s material and improper or unauthorized use or disclosure of any proprietary information or trade secrets of Confluent that has a material impact on Confluent; (iii) such officer’s commission or attempted commission of or participation in any act of material fraud or dishonesty against Confluent; (iv) such officer’s intentional and material misconduct that causes or could reasonably be anticipated to cause harm to Confluent; (v) such officer’s material failure to perform assigned duties consistent with such officer’s position; (vi) such officer’s failure to cooperate in good faith with Confluent in any governmental or internal investigation or formal

proceeding; or (vii) such officer's material violation of any of Company policy or any written agreement between such officer and Confluent.

(e) "**Change in Control**" means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) any Exchange Act Person becomes the Owner, directly or indirectly, of securities of Confluent representing more than 50% of the combined voting power of Confluent's then outstanding securities other than by virtue of a merger, consolidation or similar transaction. Notwithstanding the foregoing, a Change in Control will not be deemed to occur (A) on account of the acquisition of securities of Confluent directly from Confluent, (B) on account of the acquisition of securities of Confluent by an investor, any affiliate thereof or any other Exchange Act Person that acquires Confluent's securities in a transaction or series of related transactions the primary purpose of which is to obtain financing for Confluent through the issuance of equity securities, or (C) solely because the level of Ownership held by any Exchange Act Person (the "**Subject Person**") exceeds the designated percentage threshold of the outstanding voting securities as a result of a repurchase or other acquisition of voting securities by Confluent reducing the number of shares outstanding, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of voting securities by Confluent, and after such share acquisition, the Subject Person becomes the Owner of any additional voting securities that, assuming the repurchase or other acquisition had not occurred, increases the percentage of the then outstanding voting securities Owned by the Subject Person over the designated percentage threshold, then a Change in Control will be deemed to occur;

(ii) there is consummated a merger, consolidation or similar transaction involving (directly or indirectly) Confluent and, immediately after the consummation of such merger, consolidation or similar transaction, the stockholders of Confluent immediately prior thereto do not Own, directly or indirectly, either (A) outstanding voting securities representing more than 50% of the combined outstanding voting power of the surviving Entity in such merger, consolidation or similar transaction or (B) more than 50% of the combined outstanding voting power of the parent of the surviving Entity in such merger, consolidation or similar transaction, in each case in substantially the same proportions as their Ownership of the outstanding voting securities of Confluent immediately prior to such transaction;

(iii) there is consummated a sale, lease, exclusive license or other disposition of all or substantially all of the consolidated assets of Confluent and its Subsidiaries, other than a sale, lease, license or other disposition of all or substantially all of the consolidated assets of Confluent and its Subsidiaries to an Entity, more than 50% of the combined voting power of the voting securities of which are Owned by stockholders of Confluent in substantially the same proportions as their Ownership of the outstanding voting securities of Confluent immediately prior to such sale, lease, license or other disposition; or

(iv) individuals who, on the date the Plan is adopted by the Board, are members of the Board (the "**Incumbent Board**") cease for any reason to constitute at least a majority of the members of the Board; provided, however, that if the appointment or election (or nomination for election) of any new Board member was approved or recommended by a majority vote of the

members of the Incumbent Board then still in office, such new member will, for purposes of this Plan, be considered as a member of the Incumbent Board.

Notwithstanding the foregoing or any other provision of this Plan, (a) the term Change in Control will not include a sale of assets, merger or other transaction effected exclusively for the purpose of changing the domicile of Confluent and (b) to the extent necessary to avoid taxation under Section 409A, an event will not constitute a Change in Control unless it also constitutes a change in the ownership or effective control of Confluent or a change in the ownership of a substantial portion of the assets of Confluent within the meaning of Section 409A.

(f) “**Change in Control Period**” means the period commencing three (3) months prior to the Closing of a Change in Control and ending twelve (12) months immediately following the Closing of a Change in Control.

(g) “**Change in Control Termination**” means an Involuntary Termination that occurs within the Change in Control Period. For such purposes, if the events giving rise to an Eligible Officer’s right to a resignation for Good Reason arise within the Change in Control Period, and such officer’s resignation occurs not later than thirty (30) days after the expiration of the Cure Period (as defined below), such termination will be a Change in Control Termination.

(h) “**Closing**” means the initial closing of the Change in Control as defined in the definitive agreement executed in connection with the Change in Control. In the case of a series of transactions constituting a Change in Control, “Closing” means the first closing that satisfies the threshold of the definition for a Change in Control.

(i) “**COBRA**” means the Consolidated Omnibus Budget Reconciliation Act of 1985.

(j) “**Code**” means the Internal Revenue Code of 1986, as amended, including any applicable regulations and guidance thereunder.

(k) “**Company**” means Confluent, Inc. or, following a Change in Control, the surviving entity resulting from such event.

(l) “**Covered Termination**” means a Regular Termination or a Change in Control Termination.

(m) “**Director**” means a member of the Board.

(n) “**Eligible Officer**” means an officer (defined as an employee at the Vice President level or above) of Confluent that meets the requirements to be eligible to receive Plan benefits as set forth in Section 2.

(o) “**Entity**” means a corporation, partnership, limited liability company or other entity.

(p) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(q) “**Exchange Act Person**” means any natural person, Entity or “group” (within the meaning of Section 13(d) or 14(d) of the Exchange Act), except that “Exchange Act Person” will not include (i) Confluent or any Subsidiary of Confluent, (ii) any employee benefit plan of Confluent or any Subsidiary of Confluent or any trustee or other fiduciary holding securities under an employee benefit plan of Confluent or any Subsidiary of Confluent, (iii) an underwriter temporarily holding securities pursuant to a registered public offering of such securities, (iv) an Entity Owned, directly or indirectly, by the stockholders of Confluent in substantially the same proportions as their Ownership of stock of Confluent; or (v) any natural person, Entity or “group” (within the meaning of Section 13(d) or 14(d) of the Exchange Act) that, as of the Effective Date, is the Owner, directly or indirectly, of securities of Confluent representing more than 50% of the combined voting power of Confluent’s then outstanding securities.

(r) “**Good Reason**” for an Eligible Officer’s resignation from employment with Confluent means the occurrence of any of the following actions that are taken by Confluent without such officer’s prior written consent: (i) a material reduction in such officer’s base salary, which is agreed to be a reduction of at least 10% of such officer’s base salary (unless pursuant to a salary reduction program applicable generally to Confluent’s similarly situated employees); (ii) a material reduction in such officer’s duties, responsibilities or authority, *provided, however*, that “Good Reason” will not exist merely because an Eligible Officer’s title or supervisor is revised to reflect his or her placement within the overall corporate hierarchy or he or she provides services to a subsidiary, affiliate, business unit or otherwise if the Eligible Officer is otherwise employed with substantially the same duties, responsibilities and authority with respect to Confluent’s business and operations that he or she had immediately prior to the Change in Control (but “Good Reason” would be deemed to exist if a non-CEO Eligible Officer with primary responsibility for Confluent’s public company reporting or governance functions no longer leads such functions at the parent company level); (iii) the failure of Confluent to obtain the assumption of this Plan by a successor, which would constitute a material breach of this Agreement; or (iv) relocation of such officer’s principal place of employment to a place that increases such officer’s one-way commute by more than 30 miles as compared to such officer’s then-current principal place of employment immediately prior to such relocation; *provided, however*, that if such officer is permitted to work remotely in connection with such relocation, then such relocation will not be Good Reason. In order to resign for Good Reason, such officer must provide written notice to Confluent’s Chief Executive Officer, or if such Eligible Officer is the Chief Executive Officer, must provide such written notice to Confluent’s Board, within 30 days after the first occurrence of the event giving rise to Good Reason setting forth the basis for such officer’s resignation, allow Confluent at least 30 days from receipt of such written notice to cure such event, and if such event is not reasonably cured within such period, the officer must resign from all positions the officer then holds with Confluent or any Subsidiary not later than 30 days after the expiration of the cure period.

(s) “**Involuntary Termination**” means a termination of employment that is due to: (1) a termination by Confluent without Cause or (2) in the case of a Change in Control Termination, an officer’s resignation for Good Reason.

(t) “**Own**,” “**Owned**,” “**Owner**,” “**Ownership**” means a person or Entity will be deemed to “Own,” to have “Owned,” to be the “Owner” of, or to have acquired “Ownership” of securities if such person or Entity, directly or indirectly, through any contract, arrangement,

understanding, relationship or otherwise, has or shares voting power, which includes the power to vote or to direct the voting, with respect to such securities.

(u) “**Participation Agreement**” means an agreement between an officer and Confluent in substantially the form of Appendix A attached hereto, and which may include such other terms as the Board deems necessary or advisable in the administration of the Plan.

(v) “**Plan Administrator**” means the Board prior to the Closing and the Representative upon and following the Closing, as applicable.

(w) “**Representative**” means one or more members of the Board or other persons or entities designated by the Board prior to or in connection with a Change in Control that will have authority to administer and interpret the Plan upon and following the Closing as provided in Section 8(a).

(x) “**Regular Termination**” means an Involuntary Termination that is not a Change in Control Termination.

(y) “**Section 409A**” means Section 409A of the Code and the regulations and other guidance thereunder and any state law of similar effect.

(z) “**Subsidiary**” means, with respect to Confluent, (i) any corporation of which more than 50% of the outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, stock of any other class or classes of such corporation will have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, Owned by Confluent, and (ii) any partnership, limited liability company or other entity in which Confluent has a direct or indirect interest (whether in the form of voting or participation in profits or capital contribution) of more than 50%.

2. ELIGIBILITY FOR BENEFITS.

(a) **Eligible Officer.** An officer of Confluent is eligible to participate in the Plan if (i) the Board or Compensation Committee has designated such officer as eligible to participate in the Plan and authorized officers of Confluent have provided such person with a Participation Agreement; (ii) such officer has signed and returned such Participation Agreement to Confluent within the period specified therein; (iii) such officer’s employment with Confluent terminates due to a Covered Termination; and (iv) such officer meets the other Plan eligibility requirements set forth in this Section 2. The determination of whether an officer is an Eligible Officer will be made by the Plan Administrator, in its sole discretion, and such determination will be binding and conclusive on all persons.

(b) **Release Requirement.** In order to be eligible to receive benefits under the Plan, the Eligible Officer also must execute a general waiver and release in such a form as provided by Confluent (the “**Release**”), within the applicable time period set forth therein, and such Release must become effective in accordance with its terms, which must occur in no event more than sixty (60) days following the date of the applicable Covered Termination.

(c) **Plan Benefits Provided In Lieu of Individual Agreement Benefits.** This Plan will supersede any change in control or severance benefit plan, policy or practice previously maintained by Confluent with respect to an Eligible Officer and any change in control or severance benefits in any individually negotiated employment contract or other agreement between Confluent and an Eligible Officer, except to the extent such agreement specifically provides that its terms will supersede and/or supplement the terms of the Plan.

(d) **Exceptions to Benefit Entitlement.** An officer who otherwise is an Eligible Officer will not receive benefits under the Plan in the following circumstances, as determined by the Plan Administrator in its sole discretion:

(i) The officer voluntarily terminates employment with Confluent without Good Reason, or employment terminates due to the officer's death or disability, unless otherwise determined by the Board. Voluntary terminations include, but are not limited to, resignation, retirement or failure to return from a leave of absence on the scheduled date.

(ii) The officer voluntarily terminates employment with Confluent in order to accept employment with another entity that is wholly or partly owned (directly or indirectly) by Confluent or an Affiliate.

(iii) The officer is offered and accepts an identical or substantially equivalent or comparable position with Confluent or an Affiliate. For purposes of the foregoing, a "substantially equivalent or comparable position" is one that provides the officer substantially the same level of responsibility and compensation and would not give rise to the officer's right to a resignation for Good Reason.

(iv) The officer is offered and accepts immediate reemployment by a successor to Confluent or an Affiliate or by a purchaser of Confluent's assets, as the case may be, following a Change in Control and the terms of such reemployment would not give rise to the officer's right to resign for Good Reason. For purposes of the foregoing, "immediate reemployment" means that the officer's employment with the successor to Confluent or an Affiliate or the purchaser of its assets, as the case may be, results in uninterrupted employment such that the officer does not incur a lapse in pay or benefits as a result of the change in ownership of Confluent or the sale of its assets.

(v) The officer is rehired by Confluent or an Affiliate and recommences employment prior to the date benefits under the Plan are scheduled to commence.

(e) **Termination or Reduction of Severance Benefits.** An Eligible Officer's right to receive benefits under this Plan will terminate immediately if, at any time prior to or during the period for which the Eligible Officer is receiving benefits under the Plan, the Eligible Officer, without the prior written approval of the Board willfully and materially breaches any material fiduciary, statutory, common law, or contractual obligation to Confluent or an Affiliate (including, without limitation, the contractual obligations set forth in any confidential information and inventions assignment agreement or similar type agreement between the Eligible Officer and Confluent, as applicable).

3. AMOUNT OF BENEFITS.

(a) **Benefits in Participation Agreement.** Benefits under the Plan, if any, will be provided to an Eligible Officer as set forth in the Participation Agreement.

(b) **Additional Benefits.** Notwithstanding the foregoing, Confluent may, in its sole discretion, provide benefits to employees who are not Eligible Officers (“**Non-Eligible Employees**”) chosen by the Board, in its sole discretion, and the provision of any such benefits to a Non-Eligible Employee will in no way obligate Confluent to provide such benefits to any other Non-Eligible Employee, even if similarly situated. If benefits under the Plan are provided to a Non-Eligible Employee, references in the Plan to “Eligible Officer” (and similar references) will be deemed to refer to such Non-Eligible Employee.

(c) **Certain Reductions.** Confluent, in its sole discretion, will have the authority to reduce an Eligible Officer’s severance benefits, in whole or in part, by any other severance benefits, pay and benefits provided during a period following written notice of a business closing or mass layoff, pay and benefits in lieu of such notice, or other similar benefits payable to the Eligible Officer by Confluent or an Affiliate that become payable in connection with the Eligible Officer’s termination of employment pursuant to (i) any applicable legal requirement, including, without limitation, the Worker Adjustment and Retraining Notification Act or any other similar state law, (ii) any individually negotiated employment contract or agreement or any other written employment or severance agreement with Confluent, or (iii) any Company policy or practice providing for the Eligible Officer to remain on the payroll for a limited period of time after being given notice of the termination of the Eligible Officer’s employment, and the Plan Administrator will so construe and implement the terms of the Plan. Any such reductions that Confluent determines to make pursuant to this Section 3(c) will be made such that any severance benefit under the Plan will be reduced solely by any similar type of benefit under such legal requirement, agreement, policy or practice (*i.e.*, any cash severance benefits under the Plan will be reduced solely by any cash payments or benefits under such legal requirement, agreement, policy or practice, and any continued insurance benefits under the Plan will be reduced solely by any continued insurance benefits under such legal requirement, agreement, policy or practice). Confluent’s decision to apply such reductions to the severance benefits of one Eligible Officer and the amount of such reductions will in no way obligate Confluent to apply the same reductions in the same amounts to the severance benefits of any other Eligible Officer, even if similarly situated. In Confluent’s sole discretion, such reductions may be applied on a retroactive basis, with severance benefits previously paid being re-characterized as payments pursuant to Confluent’s statutory obligation.

(d) **Parachute Payments.** If any payment or benefit an Eligible Officer will or may receive from Confluent or otherwise (a “**Payment**”) would (i) constitute a “parachute payment” within the meaning of Section 280G of the Code, and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the “**Excise Tax**”), then any such Payment will be equal to the Reduced Amount. The “**Reduced Amount**” will be either (x) the largest portion of the Payment that would result in no portion of the Payment (after reduction) being subject to the Excise Tax or (y) the largest portion, up to and including the total, of the Payment, whichever amount (*i.e.*, the amount determined by clause (x) or by clause (y)), after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all

computed at the highest applicable marginal rate), results in the Eligible Officer's receipt, on an after-tax basis, of the greater economic benefit notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in a Payment is required pursuant to the preceding sentence and the Reduced Amount is determined pursuant to clause (x) of the preceding sentence, the reduction will occur in the manner (the "**Reduction Method**") that results in the greatest economic benefit for the Eligible Officer. If more than one method of reduction will result in the same economic benefit, the items so reduced will be reduced pro rata (the "**Pro Rata Reduction Method**").

Notwithstanding any provisions in this Section above to the contrary, if the Reduction Method or the Pro Rata Reduction Method would result in any portion of the Payment being subject to taxes pursuant to Section 409A that would not otherwise be subject to taxes pursuant to Section 409A, then the Reduction Method and/or the Pro Rata Reduction Method, as the case may be, will be modified so as to avoid the imposition of taxes pursuant to Section 409A as follows: (A) as a first priority, the modification will preserve to the greatest extent possible, the greatest economic benefit for the Eligible Officer as determined on an after-tax basis; (B) as a second priority, Payments that are contingent on future events (e.g., being terminated without Cause), will be reduced (or eliminated) before Payments that are not contingent on future events; and (C) as a third priority, Payments that are "deferred compensation" within the meaning of Section 409A will be reduced (or eliminated) before Payments that are not deferred compensation within the meaning of Section 409A.

Confluent will appoint a nationally recognized accounting, consulting or law firm to make the determinations required by this Section. Confluent will bear all expenses with respect to the determinations by such accounting or law firm required to be made hereunder. Confluent will use commercially reasonable efforts to cause the accounting or law firm engaged to make the determinations hereunder to provide its calculations, together with detailed supporting documentation, to Eligible Officer and Confluent within 15 calendar days after the date on which Eligible Officer's right to a Payment becomes reasonably likely to occur (if requested at that time by Eligible Officer or Confluent) or such other time as requested by Eligible Officer or Confluent.

If the Eligible Officer receives a Payment for which the Reduced Amount was determined pursuant to clause (x) above and the Internal Revenue Service determines thereafter that some portion of the Payment is subject to the Excise Tax, Eligible Officer agrees to promptly return to Confluent a sufficient amount of the Payment (after reduction pursuant to clause (x) above) so that no portion of the remaining Payment is subject to the Excise Tax. For the avoidance of doubt, if the Reduced Amount was determined pursuant to clause (y) above, the Eligible Officer will have no obligation to return any portion of the Payment pursuant to the preceding sentence.

4. **RETURN OF COMPANY PROPERTY.**

An Eligible Officer will not be entitled to any severance benefit under the Plan unless and until the Eligible Officer returns all Company Property. For this purpose, "Company Property" means all Company documents (and all copies thereof), other Company property, and confidential,

proprietary or trade secret information which the Eligible Officer had in his or her possession at any time, including, but not limited to, Company files, notes, drawings, records, plans, forecasts, reports, studies, analyses, proposals, agreements, financial information, research and development information, sales and marketing information, operational and personnel information, specifications, code, software, databases, computer-recorded information, tangible property and equipment (including, but not limited to, computers, facsimile machines, mobile telephones, servers), credit cards, entry cards, identification badges and keys; and any materials of any kind which contain or embody any proprietary, confidential, or trade secret information of Confluent (and all reproductions thereof in whole or in part).

5. **TIME OF PAYMENT AND FORM OF BENEFITS.**

All such payments under the Plan will be subject to applicable withholding for federal, state and local taxes. If an Eligible Officer is indebted to Confluent on his or her termination date, Confluent reserves the right to offset any severance payments under the Plan by the amount of such indebtedness. All severance benefits provided under the Plan are intended to satisfy the requirements for an exemption from application of Section 409A of the Code to the maximum extent that an exemption is available and any ambiguities herein will be interpreted accordingly; provided, however, that to the extent such an exemption is not available, the severance benefits provided under the Plan are intended to comply with the requirements of Section 409A to the extent necessary to avoid adverse personal tax consequences and any ambiguities herein will be interpreted accordingly.

Notwithstanding anything to the contrary set forth herein, any payments and benefits provided under the Plan that constitute “deferred compensation” within the meaning of Section 409A will not commence in connection with an Eligible Officer’s termination of employment unless and until the Eligible Officer has also incurred a “separation from service,” as such term is defined in Treasury Regulations Section 1.409A-1(h) (“***Separation from Service***”), unless Confluent reasonably determines that such amounts may be provided to the Eligible Officer without causing the Eligible Officer to incur the adverse personal tax consequences under Section 409A.

It is intended that (i) each installment of any benefits payable under the Plan to an Eligible Officer be regarded as a separate “payment” for purposes of Treasury Regulations Section 1.409A-2(b)(2)(i), (ii) all payments of any such benefits under the Plan satisfy, to the greatest extent possible, the exemptions from the application of Section 409A provided under Treasury Regulations Sections 1.409A-1(b)(4), 1.409A-1(b)(5) and 1.409A-1(b)(9)(iii), and (iii) any such benefits consisting of COBRA premiums also satisfy, to the greatest extent possible, the exemption from the application of Section 409A provided under Treasury Regulations Section 1.409A-1(b)(9)(v). However, if Confluent determines that any such benefits payable under the Plan constitute “deferred compensation” under Section 409A and the Eligible Officer is a “specified employee” of Confluent, as such term is defined in Section 409A(a)(2)(B)(i), then, solely to the extent necessary to avoid the imposition of the adverse personal tax consequences under Section 409A, (A) the timing of such benefit payments will be delayed until the earlier of (1) the date that is six (6) months and one (1) day after the Eligible Officer’s Separation from Service and (2) the date of the Eligible Officer’s death (such applicable date, the “***Delayed Initial Payment Date***”), and (B) Confluent will (1) pay the Eligible Officer a lump sum amount equal to the sum of the

benefit payments that the Eligible Officer would otherwise have received through the Delayed Initial Payment Date if the commencement of the payment of the benefits had not been delayed pursuant to this paragraph and (2) commence paying the balance, if any, of the benefits in accordance with the applicable payment schedule.

In no event will payment of any benefits under the Plan be made prior to an Eligible Officer's termination date or prior to the effective date of the Release. If Confluent determines that any payments or benefits provided under the Plan constitute "deferred compensation" under Section 409A, and the Eligible Officer's Separation from Service occurs at a time during the calendar year when the Release could become effective in the calendar year following the calendar year in which the Eligible Officer's Separation from Service occurs, then regardless of when the Release is returned to Confluent and becomes effective, the Release will not be deemed effective any earlier than the latest permitted effective date (the "**Release Deadline**"). If Confluent determines that any payments or benefits provided under the Plan constitute "deferred compensation" under Section 409A, then except to the extent that payments may be delayed until the Delayed Initial Payment Date pursuant to the preceding paragraph, on the first regular payroll date following the effective date of an Eligible Officer's Release, Confluent will (1) pay the Eligible Officer a lump sum amount equal to the sum of the benefit payments that the Eligible Officer would otherwise have received through such payroll date but for the delay in payment related to the effectiveness of the Release and (2) commence paying the balance, if any, of the benefits in accordance with the applicable payment schedule.

All severance payments under the Plan will be subject to applicable withholding for federal, state and local taxes. If an Eligible Officer is indebted to Confluent at his or her termination date, Confluent reserves the right to offset any severance payments under the Plan by the amount of such indebtedness.

6. REEMPLOYMENT.

In the event of an Eligible Officer's reemployment by Confluent during the period of time in respect of which severance benefits pursuant to the Plan have been paid, Confluent, in its sole and absolute discretion, may require such Eligible Officer to repay to Confluent all or a portion of such severance benefits under the Plan as a condition of reemployment.

7. CLAWBACK; RECOVERY.

All payments and severance benefits provided under the Plan will be subject to recoupment in accordance with any clawback policy that Confluent adopts, including pursuant to the listing standards of any national securities exchange or association on which Confluent's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law. In addition, the Plan Administrator may impose such other clawback, recovery or recoupment provisions as the Plan Administrator determines necessary or appropriate, including but not limited to a reacquisition right in respect of previously acquired shares of common stock of Confluent or other cash or property upon the occurrence of a termination of employment for Cause. No recovery of compensation under such a clawback policy will be an event giving rise to a right to resign for Good Reason, constructive termination, or any similar term under any plan of or agreement with Confluent.

8. **RIGHT TO INTERPRET AND ADMINISTER PLAN; AMENDMENT AND TERMINATION.**

(a) **Interpretation and Administration.** Prior to the Closing, the Board will be the Plan Administrator and will have the exclusive discretion and authority to establish rules, forms, and procedures for the administration of the Plan and to construe and interpret the Plan and to decide any and all questions of fact, interpretation, definition, computation or administration arising in connection with the operation of the Plan, including, but not limited to, the eligibility to participate in the Plan and amount of benefits paid under the Plan. The rules, interpretations, computations and other actions of the Board will be binding and conclusive on all persons. Upon and after the Closing, the Plan will be interpreted and administered in good faith by the Representative who will be the Plan Administrator during such period. All actions taken by the Representative in interpreting the terms of the Plan and administering the Plan upon and after the Closing will be final and binding on all Eligible Officers. Any references in this Plan to the “Board” or “Plan Administrator” with respect to periods following the Closing will mean the Representative.

(b) **Amendment.** The Plan Administrator reserves the right to amend this Plan at any time; *provided, however*, that any amendment of the Plan will not be effective as to a particular Eligible Officer who is or may be adversely impacted by such amendment or termination and has an effective Participation Agreement without the written consent of such Eligible Officer.

(c) **Termination.** Subject to the first paragraph of Section 1, the Plan will automatically terminate following satisfaction of all Confluent’s obligations under the Plan.

9. **NO IMPLIED EMPLOYMENT CONTRACT.**

The Plan will not be deemed (i) to give any officer or other person any right to be retained in the employ of Confluent or (ii) to interfere with the right of Confluent to discharge any officer or other person at any time, with or without cause and with or without advance notice, which right is hereby reserved.

10. **LEGAL CONSTRUCTION.**

This Plan is intended to be governed by and will be construed in accordance with the Employee Retirement Income Security Act of 1974 (“**ERISA**”) and, to the extent not preempted by ERISA, the laws of the State of California.

11. **CLAIMS, INQUIRIES AND APPEALS.**

(a) **Applications for Benefits and Inquiries.** Any application for benefits, inquiries about the Plan or inquiries about present or future rights under the Plan must be submitted to the Plan Administrator in writing by an applicant (or his or her authorized representative). The Plan Administrator is:

Confluent, Inc.
Board of Directors or Representative
899 West Evelyn Avenue
Mountain View, California 94041

(b) **Denial of Claims.** In the event that any application for benefits is denied in whole or in part, the Plan Administrator must provide the applicant with written or electronic notice of the denial of the application, and of the applicant's right to review the denial. Any electronic notice will comply with the regulations of the U.S. Department of Labor. The notice of denial will be set forth in a manner designed to be understood by the applicant and will include the following:

- (i) the specific reason or reasons for the denial;
- (ii) references to the specific Plan provisions upon which the denial is based;
- (iii) a description of any additional information or material that the Plan Administrator needs to complete the review and an explanation of why such information or material is necessary; and
- (iv) an explanation of the Plan's review procedures and the time limits applicable to such procedures, including a statement of the applicant's right to bring a civil action under Section 502(a) of ERISA following a denial on review of the claim, as described in Section 11(d) below.

This notice of denial will be given to the applicant within ninety (90) days after the Plan Administrator receives the application, unless special circumstances require an extension of time, in which case, the Plan Administrator has up to an additional ninety (90) days for processing the application. If an extension of time for processing is required, written notice of the extension will be furnished to the applicant before the end of the initial ninety (90) day period.

This notice of extension will describe the special circumstances necessitating the additional time and the date by which the Plan Administrator is to render its decision on the application.

(c) **Request for a Review.** Any person (or that person's authorized representative) for whom an application for benefits is denied, in whole or in part, may appeal the denial by submitting a request for a review to the Plan Administrator within sixty (60) days after the application is denied. A request for a review will be in writing and will be addressed to:

Confluent, Inc.
Board of Directors or Representative
899 West Evelyn Avenue
Mountain View, California 94041

A request for review must set forth all of the grounds on which it is based, all facts in support of the request and any other matters that the applicant feels are pertinent. The applicant (or his or her representative) will have the opportunity to submit (or the Plan Administrator may require the applicant to submit) written comments, documents, records, and other information relating to his or her claim. The applicant (or his or her representative) will be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to his or her claim. The review will take into account all comments, documents, records and other

information submitted by the applicant (or his or her representative) relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

(d) **Decision on Review.** The Plan Administrator will act on each request for review within sixty (60) days after receipt of the request, unless special circumstances require an extension of time (not to exceed an additional sixty (60) days), for processing the request for a review. If an extension for review is required, written notice of the extension will be furnished to the applicant within the initial sixty (60) day period. This notice of extension will describe the special circumstances necessitating the additional time and the date by which the Plan Administrator is to render its decision on the review. The Plan Administrator will give prompt, written or electronic notice of its decision to the applicant. Any electronic notice will comply with the regulations of the U.S. Department of Labor. In the event that the Plan Administrator confirms the denial of the application for benefits in whole or in part, the notice will set forth, in a manner calculated to be understood by the applicant, the following:

- (i) the specific reason or reasons for the denial;
- (ii) references to the specific Plan provisions upon which the denial is based;
- (iii) a statement that the applicant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to his or her claim; and
- (iv) a statement of the applicant's right to bring a civil action under Section 502(a) of ERISA.

(e) **Rules and Procedures.** The Plan Administrator will establish rules and procedures, consistent with the Plan and with ERISA, as necessary and appropriate in carrying out its responsibilities in reviewing benefit claims. The Plan Administrator may require an applicant who wishes to submit additional information in connection with an appeal from the denial of benefits to do so at the applicant's own expense.

(f) **Exhaustion of Remedies.** No legal action for benefits under the Plan may be brought until the applicant (i) has submitted a written application for benefits in accordance with the procedures described by Section 11(a) above, (ii) has been notified by the Plan Administrator that the application is denied, (iii) has filed a written request for a review of the application in accordance with the appeal procedure described in Section 11(c) above, and (iv) has been notified that the Plan Administrator has denied the appeal. Notwithstanding the foregoing, if the Plan Administrator does not respond to an Eligible Officer's claim or appeal within the relevant time limits specified in this Section 11, the Eligible Officer may bring legal action for benefits under the Plan pursuant to Section 502(a) of ERISA.

12. **BASIS OF PAYMENTS TO AND FROM PLAN.**

The Plan will be unfunded, and all cash payments under the Plan will be paid only from the general assets of Confluent.

13. **OTHER PLAN INFORMATION.**

(a) **Employer and Plan Identification Numbers.** The Employer Identification Number assigned to Confluent (which is the “Plan Sponsor” as that term is used in ERISA) by the Internal Revenue Service is 27-2491037. The Plan Number assigned to the Plan by the Plan Sponsor pursuant to the instructions of the Internal Revenue Service is 510.

(b) **Ending Date for Plan’s Fiscal Year.** The date of the end of the fiscal year for the purpose of maintaining the Plan’s records is December 31.

(c) **Agent for the Service of Legal Process.** The agent for the service of legal process with respect to the Plan is:

Confluent, Inc.
Plan Administrator
899 West Evelyn
Mountain View, California 94041

In addition, service of legal process may be made upon the Plan Administrator.

(d) **Plan Sponsor.** The “Plan Sponsor” is:

Confluent, Inc.
899 West Evelyn Avenue
Mountain View, California 94041
(800) 439-3207

(e) **Plan Administrator.** The Plan Administrator is the Board prior to the Closing and the Representative upon and following the Closing. The Plan Administrator’s contact information is:

Confluent, Inc.
Board of Directors or Representative
899 West Evelyn Avenue
Mountain View, California 94041
(800) 439-3207

The Plan Administrator is the named fiduciary charged with the responsibility for administering the Plan.

14. **STATEMENT OF ERISA RIGHTS.**

Participants in this Plan (which is a welfare benefit plan sponsored by Confluent, Inc.) are entitled to certain rights and protections under ERISA. If you are an Eligible Officer, you are considered a participant in the Plan and, under ERISA, you are entitled to:

(a) **Receive Information About Your Plan and Benefits.**

(i) Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites, all documents governing the Plan and a copy of the latest annual report (Form 5500 Series), if applicable, filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration;

(ii) Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan and copies of the latest annual report (Form 5500 Series), if applicable, and an updated (as necessary) Summary Plan Description. The Administrator may make a reasonable charge for the copies; and

(iii) Receive a summary of the Plan's annual financial report, if applicable. The Plan Administrator is required by law to furnish each Eligible Officer with a copy of this summary annual report.

(b) Prudent Actions by Plan Fiduciaries. In addition to creating rights for Plan Eligible Officers, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate the Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Eligible Officers and beneficiaries. No one, including your employer, your union or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a Plan benefit or exercising your rights under ERISA.

(c) Enforce Your Rights. If your claim for a Plan benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Plan documents or the latest annual report from the Plan, if applicable, and do not receive them within thirty (30) days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator.

If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or Federal court.

If you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

(d) Assistance with Your Questions. If you have any questions about the Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security

Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

APPENDIX A

CONFLUENT, INC.

EXECUTIVE OFFICER

CHANGE IN CONTROL/SEVERANCE BENEFIT PLAN

PARTICIPATION AGREEMENT

Name: [_____]

1. ELIGIBILITY.

You have been designated as eligible to participate in the Confluent, Inc. Executive Officer Change in Control/Severance Benefit Plan (the “*Plan*”). Capitalized terms not explicitly defined in this Participation Agreement (the “*Agreement*”) but defined in the Plan will have the same definitions as in the Plan.

2. SEVERANCE BENEFITS

Subject to the terms of the Plan and Section 3 of this Agreement, if your employment is terminated in a Covered Termination, and you meet all the other eligibility requirements set forth in the Plan, including, without limitation, executing the required Release within the applicable time period set forth therein and provided that such Release becomes effective in accordance with its terms, you will receive the severance benefits set forth in this Section 2. Notwithstanding the schedule for provision of severance benefits as set forth below, the provision of any severance benefits under this Section 2 is subject to any delay in payment that may be required under Section 5 of the Plan.

2.1 **Regular Termination.** Upon a Regular Termination, you will be eligible to receive the following severance benefits.

2.1.1 *Cash Severance Benefit.* You will be entitled to receive an amount equal to [twelve]¹ [six]² months of your then-current Base Salary (such period of months, the “*Severance Period*”), which amount shall be paid to you in a lump sum cash payment no later than the first payroll cycle following the effective date of the Release, but in any event not later than March 15 of the year following the year in which the Regular Termination occurs.

2.1.2 *Payment of Continued Group Health Plan Benefits.*

- If you timely elect continued group health plan continuation coverage under COBRA, Confluent will pay the full amount of your COBRA

¹ Tier One

² Tier Two

premiums, or will provide coverage under any self-funded plan, on behalf of you for your continued coverage under Confluent's group health plans, including coverage for your eligible dependents, for the Severance Period (the "**COBRA Payment Period**"). Upon the conclusion of such period of insurance premium payments made by Confluent, or the provision of coverage under a self-funded group health plan, you will be responsible for the entire payment of premiums (or payment for the cost of coverage) required under COBRA for the duration of your eligible COBRA coverage period. For purposes of this Section, (i) references to COBRA will be deemed to refer also to analogous provisions of state law and (ii) any applicable insurance premiums that are paid by Confluent will not include any amounts payable by you under an Internal Revenue Code Section 125 health care reimbursement plan, which amounts, if any, are your sole responsibility.

- Notwithstanding the foregoing, if at any time Confluent determines, in its sole discretion, that it cannot provide the COBRA premium benefits without potentially incurring financial costs or penalties under applicable law (including, without limitation, Section 2716 of the Public Health Service Act), then in lieu of paying COBRA premiums on your behalf, Confluent will instead pay you on the last day of each remaining month of the COBRA Payment Period a fully taxable cash payment equal to the COBRA premium for that month, subject to applicable tax withholding (such amount, the "**Special Severance Payment**"), such Special Severance Payment to be made without regard to your election of COBRA coverage or payment of COBRA premiums and without regard to your continued eligibility for COBRA coverage during the COBRA Payment Period. Such Special Severance Payment will end upon expiration of the COBRA Payment Period.

2.2 **Change in Control Termination.** Upon a Change in Control Termination, you will be eligible to receive the following severance benefits. For the avoidance of doubt, in no event will you be entitled to benefits under both Section 2.1 and this Section 2.2. If you are eligible for severance benefits under both Section 2.1 and this Section 2.2, you will receive the benefits set forth in this Section 2.2 and such benefits will be reduced by any benefits previously provided to you under Section 2.1.

2.2.1 *Cash Severance Benefit.*

- You will be entitled to receive an amount equal to [eighteen]³ [twelve]⁴ months of your then-current Base Salary (such period of months, the

³ Tier One

⁴ Tier Two

“CIC Severance Period”), which amount shall be paid to you in a lump sum cash payment no later than the first payroll cycle following the later of (i) the effective date of the Release or (ii) the Closing, but in any event not later than March 15 of the year following the year in which the Change in Control Termination occurs; and you will additionally be entitled to an amount equal to the annual target cash bonus established for you, if any, for the year in which the Change in Control Termination occurs, payable in a lump sum cash payment no later than the first payroll cycle following the later of (i) the effective date of the Release or (ii) the Closing, but in any event not later than March 15 of the year following the year in which the Change in Control Termination occurs.

2.2.2 *Accelerated Vesting of Stock Awards.*

- Effective as of the later of the effective date of your Release or the effective date of the Closing, to the extent not previously vested: (i) the vesting and exercisability of each outstanding and unvested stock option to purchase Confluent’s common stock that is held by you on such date and that vests based solely based upon continued service will be accelerated, (ii) any reacquisition or repurchase rights held by Confluent in respect of the common stock issued pursuant to any other stock award granted to you by Confluent that vests based solely upon continued service will lapse, and (iii) the vesting of each other stock award granted to you by Confluent, and any issuance of shares triggered by the vesting of such stock awards, including any restricted stock unit awards, in each case that vest based solely upon continued service, will be accelerated in full. Notwithstanding the foregoing or any provision of the Plan, if you have more favorable vesting acceleration provisions in another agreement with Confluent, the more favorable vesting provisions will apply. Notwithstanding the foregoing, this Section 2.2.2 will not apply to stock awards issued under or held in any Qualified Plan.
- If necessary to give effect to the intent of the foregoing provision, notwithstanding anything to the contrary set forth in your stock award agreements or the applicable equity incentive plan under which such stock award was granted that provides that any then unvested portion of your award will immediately expire upon your termination of service, the unvested portion of your stock award (after taking into account any vesting acceleration) will terminate on the later of (i) the effective date of your Release or (ii) Closing, but no later than the final day of the original full term of the award.

2.2.3 *Payment of Continued Group Health Plan Benefits.*

- If you timely elect continued group health plan continuation coverage under COBRA, Confluent will pay the full amount of your COBRA premiums, or will provide coverage under any self-funded plan, on

behalf of you for your continued coverage under Confluent's group health plans, including coverage for your eligible dependents, for the CIC Severance Period (the "CIC COBRA Payment Period"). Upon the conclusion of such period of insurance premium payments made by Confluent, or the provision of coverage under a self-funded group health plan, you will be responsible for the entire payment of premiums (or payment for the cost of coverage) required under COBRA for the duration of your eligible COBRA coverage period. For purposes of this Section, (i) references to COBRA will be deemed to refer also to analogous provisions of state law and (ii) any applicable insurance premiums that are paid by Confluent will not include any amounts payable by you under an Internal Revenue Code Section 125 health care reimbursement plan, which amounts, if any, are your sole responsibility.

- Notwithstanding the foregoing, if at any time Confluent determines, in its sole discretion, that it cannot provide the COBRA premium benefits without potentially incurring financial costs or penalties under applicable law (including, without limitation, Section 2716 of the Public Health Service Act), then in lieu of paying COBRA premiums on your behalf, Confluent will instead pay you on the last day of each remaining month of the CIC COBRA Payment Period a fully taxable cash payment equal to the COBRA premium for that month, subject to applicable tax withholding (such amount, the "Special CIC Severance Payment"), such Special CIC Severance Payment to be made without regard to your election of COBRA coverage or payment of COBRA premiums and without regard to your continued eligibility for COBRA coverage during the CIC COBRA Payment Period. Such Special CIC Severance Payment will end upon expiration of the CIC COBRA Payment Period.

3. **DEFINITIONS.**

- 3.1 "***Equity Plan***" means Confluent's 2014 Stock Plan, 2021 Equity Incentive Plan, or any successor or other equity incentive plan adopted by Confluent which govern your stock awards, as applicable.
- 3.2 "***Qualified Plan***" means a plan sponsored by Confluent or an Affiliate that is intended to be qualified under Section 401(a) of the Internal Revenue Code.

4. **ACKNOWLEDGEMENTS.**

As a condition to participation in the Plan, you hereby acknowledge each of the following:

- 4.1 The severance benefits that may be provided to you under this Agreement are subject to all of the terms of the Plan which is incorporated into and becomes part of this Agreement, including but not limited to the potential reductions and terminations to your severance benefits under the circumstances specified in Section 2 and Section 3 of the Plan.

- 4.2 Your eligibility for and receipt of any severance benefits to which you may become entitled as described in Section 2 above is also expressly contingent upon your compliance with the terms and conditions of the provisions of the Confidential Information and Invention Assignment Agreement or any other confidentiality or invention assignment agreement between you and Confluent that you signed when you joined Confluent, as may be amended from time to time (the “**CIIAA**”). Severance benefits under this Agreement will immediately cease in the event of your violation of the provisions of the CIIAA.
- 4.3 This Agreement and the Plan supersede any severance benefit plan, policy or practice previously maintained by Confluent that may have been applicable to you. This Agreement and the Plan do not supersede, replace or otherwise alter the CIIAA.
- 4.4 You may not sell, transfer, or otherwise assign or pledge your right to benefits under this Agreement and the Plan to either your creditors or to your beneficiary, except to the extent permitted by the Plan Administrator if such action would not result in adverse tax consequences under Section 409A.

To accept the terms of this Agreement and participate in the Plan, please sign and date this Agreement in the space provided below and return it to _____.

CONFLUENT, INC.

By: _____

Name: _____

Title: _____

I have read and accept these terms of this Agreement.

By: _____

Name: _____

Date: _____

ADVISORY AGREEMENT

This Advisory Agreement ("Agreement") is made by and between Chad Verbowski ("Employee") and Confluent, Inc. (the "Company") (collectively referred to as the "Parties" or individually referred to as a "Party").

In consideration of the mutual promises made herein, the Company and Employee hereby agree as follows:

1) Consideration. As good and valuable consideration for Employee's timely execution of this Agreement, the Company agrees as follows:

a) Employee will remain an employee of the Company through February 21, 2025, unless terminated earlier ("Advisory Period"). During the Advisory Period, Employee will continue to receive Employee's regular salary and benefits (pursuant to the terms of the applicable benefits plans), including the vesting of equity awards in accordance with the terms of the Equity Documents (defined below), until February 21, 2025, or earlier termination date as provided herein, as long as Employee complies with the terms of this Agreement, the Confidential Information and Invention Assignment Agreement ("CIIAA") and the Company's Code of Conduct. During the Advisory Period, Employee may be required to aid in the transition of Employee's duties and may be directed to perform other tasks as reasonably required by the Company.

b) If at any time during the Advisory Period, Employee's employment is terminated by the Company for breach of this Agreement, the CIIAA or violation of the Company's Code of Conduct, or if Employee voluntarily leaves employment with the Company and/or Employee begins employment for another employer, for Employee's own business or as an independent contractor, Employee will no longer be eligible to receive the salary, benefits, or vesting of equity provided herein for the remainder of the Advisory Period. In the event of termination for violation of this Agreement, the CIIAA or the Code of Conduct, Employee will become ineligible to receive the additional consideration specified below.

c) Upon the successful completion of the Advisory Period, the Company shall provide Employee with the following payments:

- i) a lump sum payment in the gross amount of \$110,000, less applicable taxes, deductions and withholdings, equivalent to three (3) months' base salary;
- ii) a lump sum payment, less applicable taxes, deductions and withholdings, as compensation for the 2024 annual bonus, with the payout calculated on the same basis as the payout for other executives;
- iii) a lump sum payment in an amount equivalent to the cost of six (6) months of COBRA premiums for Employee and his eligible dependents.

All payments under this section will be made to Employee within fifteen (15) business days after February 21, 2025.

d) Employee understands that he will receive the additional consideration if, and only if, he does not revoke the Agreement and complies with its terms. Employee agrees that this

consideration satisfies any entitlement to severance Employee may have had pursuant to the Confluent, Inc. Executive Officer Change in Control / Severance Benefit Plan (the "Plan") and associated participation agreement, and upon execution of this Agreement, he will no longer be eligible for nor entitled to severance pursuant to the Plan.

2) Benefits. If Employee successfully completes the Advisory Period and is not separated from the Company earlier, Employee's health insurance benefits shall cease on February 28, 2025, subject to applicable benefit plan terms and Employee's right to continue Employee's health insurance under COBRA. Employee's participation in all benefits and incidents of employment, including, but not limited to, vesting in restricted stock units, and the accrual of bonuses, vacation, and paid time off, will cease as of the Termination Date or any earlier separation date from the Company.

3) Payment of Salary and Receipt of All Benefits. Employee acknowledges and represents that, other than the consideration set forth in Section 1 of this Agreement or otherwise provided by the terms of the Agreement, the Company has paid or provided all salary, wages, bonuses, accrued vacation/paid time off, premiums, leaves, housing allowances, relocation costs, interest, outplacement costs, fees, reimbursable expenses, commissions, vesting in restricted stock units, and any and all other accrued or vested benefits and compensation due to Employee.

4) Equity Vesting. The Parties agree that, pursuant to the applicable award agreements entered into in connection with each equity grant and the Company's 2021 Equity Incentive Plan (collectively the "Equity Documents"), Employee will be considered to have satisfied the time-based condition only up to the Termination Date or earlier separation date. Any equity awards that Employee has been granted continue to be governed by the terms of the Equity Documents.

5) Breach. In addition to the rights provided in the "Attorneys' Fees" section below, Employee acknowledges and agrees that any material breach of this Agreement or of any provision of the CIIAA shall entitle the Company immediately to recover and/or cease providing the consideration provided to Employee under this Agreement, and to obtain damages, provided, however, that the Company shall not recover One Hundred Dollars (\$100.00) of the consideration already paid pursuant to this Agreement and such amount shall serve as full and complete consideration for the promises and obligations assumed by Employee under this Agreement and the CIIAA.

6) Costs. The Parties shall each bear their own costs, attorneys' fees, and other fees incurred in connection with the preparation of this Agreement.

7) Authority. The Company represents and warrants that the undersigned has the authority to act on behalf of the Company and to bind the Company and all who may claim through it to the terms and conditions of this Agreement. Employee represents and warrants that Employee has the capacity to act on Employee's own behalf and on behalf of all who might claim through Employee to bind them to the terms and conditions of this Agreement. Each Party warrants and represents that there are no liens or claims of lien or assignments in law or equity or otherwise of or against any of the claims or causes of action released herein.

8) No Representations. Employee represents that Employee has had an opportunity to consult with an attorney, and has carefully read and understands the scope and effect of the

provisions of this Agreement. Employee has not relied upon any representations or statements made by the Company that are not specifically set forth in this Agreement.

9) Severability. Should any provision or any portion of any provision in this Agreement be declared illegal by a court of competent jurisdiction or arbitrator, this Agreement shall continue in full force and effect without said provision or portion of provision.

10) Attorneys' Fees. In the event that either Party brings an action to enforce or effect its rights under this Agreement, the prevailing Party shall be entitled to recover its costs and expenses, including the costs of mediation, arbitration, litigation, court fees, and reasonable attorneys' fees incurred in connection with such an action.

11) Entire Agreement. This Agreement represents the entire agreement and understanding between the Company and Employee concerning the subject matter of this Agreement and Employee's employment with and separation from the Company and the events leading thereto and associated therewith, and supersedes and replaces any and all prior agreements and understandings concerning the subject matter of this Agreement and Employee's relationship with the Company, with the exception of the CIIAA.

12) No Oral Modification. This Agreement may only be amended in a writing signed by Employee and a duly authorized officer of the Company.

13) Governing Law. This Agreement shall be construed and interpreted in accordance with the laws of the state where Employee was last employed by the Company.

14) Counterparts. This Agreement may be executed in counterparts and by facsimile, and each counterpart and facsimile shall have the same force and effect as an original and shall constitute an effective, binding agreement on the part of each of the undersigned. Delivery of an executed counterpart's signature page of this Agreement, by facsimile, email in portable document format (.pdf), or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, has the same effect as delivery of an executed original of this Agreement.

15) Voluntary Execution of Agreement. Employee understands and agrees that Employee executed this Agreement voluntarily, without any duress or undue influence on the part or behalf of the Company or any third party, with the full intent of releasing all of Employee's claims against the Company and related parties. Employee acknowledges that:

- (a) Employee has read this Agreement;
- (b) Employee has been represented in the preparation, negotiation, and execution of this Agreement by legal counsel of Employee's own choice or has elected not to retain legal counsel;
- (c) Employee understands the terms and consequences of this Agreement; and
- (d) Employee is fully aware of the legal and binding effect of this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the respective dates set

forth below.

[Signatures on Following Page]
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Chad Verbowski, an individual

Dated: 11/23/24

/s/ Chad Verbowski

Chad Verbowski

CONFLUENT, INC.

Dated: 11/24/24

By: /s/ Christina Pacudan

Christina Pacudan

Deputy General Counsel

CONFLUENT, INC.

INSIDER TRADING POLICY

The Board of Directors (the “**Board**”) of Confluent, Inc., a Delaware corporation, has adopted this Insider Trading Policy (this “**Policy**”) regarding trading in securities by officers, directors, employees and other related individuals of Confluent, Inc. and its subsidiaries (collectively, “**Confluent**”).

1. Policy Overview

In the course of your relationship with Confluent, you, our officers, directors, employees and other related individuals, will receive confidential information regarding many aspects of Confluent’s business, and you may receive material information that is not yet publicly available about Confluent and other publicly-traded companies. Under federal and state securities laws, it is illegal to trade in the securities of a company while in possession of material nonpublic information about that company or its securities. Thus, because you may have knowledge of specific confidential information that is not yet publicly available and which will constitute material nonpublic information, your trading in Confluent’s securities could constitute “insider trading” and violate the law, as could “tipping” (*i.e.*, giving material nonpublic information to others who then trade on the basis of that information). The consequences of insider trading or the tipping of material nonpublic information can be severe. In fact, the person violating the laws, as well as Confluent and its individual directors, officers, and other supervisory personnel, may be subject to criminal and civil lawsuits and financial penalties in connection with a violation of the insider trading laws.

Nonpublic information about Confluent is subject to your Confidential Information and Invention Assignment Agreement with Confluent and is not to be used or disclosed outside of Confluent or to others within Confluent, except as necessary to perform your job duties. Unauthorized disclosure or use of nonpublic information, including misuse in securities trading, will subject you to disciplinary action, up to and including termination of employment. Confluent has adopted this Policy to help you comply with the laws governing (i) trading in its common stock while in possession of material nonpublic information concerning Confluent and (ii) tipping or disclosing material nonpublic information to outsiders, as well as to prevent the appearance of improper trading or tipping. Confluent reserves the right to prohibit any transaction from being completed to enforce compliance with this Policy.

2. Components of the Insider Trading Policy**(a) Do not trade on material nonpublic information**

Whether or not the trading window (as described below) is open and applicable to you, and except as discussed in the section titled “*Exceptions to the Insider Trading Policy*” below, you may not, directly or indirectly through others, engage in any transaction involving Confluent’s securities *while you are aware of* material nonpublic information about Confluent. It is not an excuse that you did not “use” the information in deciding whether or not to engage in the transaction.

Similarly, you may not engage in transactions involving the securities of any other company if, in the course of your relationship with Confluent, you become aware of material nonpublic information about that company. For example, you may be involved in a proposed transaction involving a prospective business relationship or transaction with another company that could affect that company's stock price. If information about that transaction constitutes material nonpublic information for that other company, you are prohibited from engaging in transactions involving the securities of that other company until the information becomes public or is no longer material to that other company. It is important to note that "materiality" is different for different companies. Information that is not material to Confluent may be material to another company.

(b) Do not disclose material nonpublic information

You may not disclose material nonpublic information concerning Confluent or any other company to friends, family members or any other person or entity not authorized to receive such information, except directly to the Securities and Exchange Commission (the "**SEC**") in compliance with Confluent's Whistleblower Policy. Any nonpublic information you acquire in the course of your service with Confluent may only be used for legitimate business purposes of Confluent. In addition, you are required to handle the nonpublic information of others in accordance with the terms of any relevant nondisclosure agreements, including your employment agreement and/or your Confidential Information and Invention Assignment Agreement with Confluent, and to limit your use of the nonpublic information to the purpose for which it was disclosed.

Even if you are not directly disclosing material nonpublic information, you may not make recommendations or express opinions about securities of another company, Confluent or otherwise, based on material nonpublic information. In particular, you may not participate, in any manner other than passive observation, in any Internet "chat" room, message board or social media platform that is related to trading in Confluent's securities. You are prohibited from engaging in these actions whether or not you derive any profit or personal benefit from doing so.

You should know that third parties are known to contact employees of companies to obtain information about the company under false pretexts. Under our Code of Conduct, you are not permitted to engage in "research opportunities" or any consulting relationships that involve sharing information about Confluent, our customers, partners or suppliers, whether or not such information is public.

(c) Do not respond to outside inquiries for potentially material nonpublic information

In the event you receive an inquiry for nonpublic information that could be material from someone outside of Confluent, you should refer the inquiry to Confluent's Chief Legal Officer or, if the Chief Legal Officer is unavailable, Confluent's Chief Financial Officer (each, a "**Compliance Officer**"). If you receive an inquiry from a stock analyst or other person from the analyst research community, you should refer the inquiry to Confluent's VP, Investor Relations. Responding to such requests yourself is a violation of this Policy and, in some circumstances, may be a violation of the law.

(d)Take personal responsibility

The ultimate responsibility for complying with this Policy and applicable laws rests with you. As Confluent requests you do in all aspects of your work, please use your best judgment at all times and consult with a Compliance Officer and/or your legal and financial advisors, in confidence, if you have questions.

3. Scope of the Insider Trading Policy – Persons Subject to the Policy

This Policy applies to all directors, officers, employees and agents (such as consultants and contractors) of Confluent upon the commencement of their relationship with Confluent.

References in this Policy to “**you**” (as well as general references to Confluent directors, officers, employees and agents) should also be understood to include, to the extent applicable, members of your immediate family, persons with whom you share a household, your dependents, any other individuals whose transactions in securities you influence, direct or control and any entities whose transactions in securities you control (including, for example, a venture or investment fund, if you control transactions by the fund); provided, however, that this Policy does not apply to any such entity that engages in the investment of securities in the ordinary course of its business (e.g., an investment fund or partnership) if such entity has established its own insider trading controls and procedures in compliance with applicable securities laws. You are responsible for making sure that these individuals and entities comply with this Policy.

You are expected to comply with this Policy as long as you possess any material nonpublic information about Confluent. After you cease to be affiliated with Confluent, you should carefully consider whether you have material nonpublic information before engaging in any trading activity. It is your responsibility to ensure that you comply with insider trading rules even after you are no longer affiliated with Confluent.

4. Scope of the Insider Trading Policy – Transactions

This Policy applies to all transactions involving Confluent’s securities, including derivative securities that are not issued by Confluent, such as exchange-traded put or call options or swaps relating to Confluent’s securities. This Policy therefore applies to purchases, sales, gifts and other transfers of Confluent’s common stock, options, warrants, debt securities and other securities (including distributions of securities by a venture or other investment fund to its constituent equity holders) and other arrangements or transactions that affect economic exposure to changes in the process of these securities. Although there are limited exceptions to this Policy (described in “*Exceptions to the Insider Trading Policy*” below), please note that there are no exceptions to insider trading laws or this Policy based on the size of the transaction (*i.e.*, this policy applies whether a trade involves one or 10,000 shares of common stock).

(a)Transactions that are Strictly Prohibited or Require Special Consideration

(i) **Short Sales.** You may not engage in short sales (*i.e.*, the sale of a security that must be borrowed to make delivery) or “sell short against the box” (*i.e.*, sell with a delayed delivery) if such sales involve Confluent’s securities. Short sales may signal to the market possible

bad news about Confluent or a general lack of confidence in its prospects and an expectation that the value of its securities will decline.

(ii) Derivative or Hedging Transactions. You may not engage in derivative securities or purchase financial instruments, including prepaid variable forward contracts, equity swaps, collars, and exchange funds, or otherwise engage in transactions that hedge or offset, or are designed to hedge or offset, any decrease in the market value of Confluent's securities and the risks associated with holding its common stock. You may not trade in publicly-traded options, such as puts and calls, and other derivative securities with respect to Confluent's securities (other than stock options and other compensatory equity awards issued to you by Confluent).

(iii) Collateral. You may not use or pledge Confluent's securities as collateral for loans.

(iv) Margin Accounts. You may not hold Confluent's common stock in margin accounts.

(v) Open Orders. You should exercise caution when placing open orders, such as limit orders or stop orders, with brokers, particularly where the order is likely to remain outstanding for an extended period of time. Open orders may result in the execution of a trade during a blackout period, which may result in inadvertent insider trading in violation of this Policy.

5. **Definition of "Material Nonpublic Information"**

Information is "material" if a reasonable investor would consider it important in making a decision to buy, sell or retain Confluent's common stock. Both positive and negative information may be material.

Examples of information that would normally be regarded as "material" include, but are not limited to, the following:

- financial results, financial condition, projections or forecasts;
 - known but unannounced earnings or losses;
 - the status of Confluent's progress toward achieving significant financial goals;
 - significant developments involving business relationships with customers or other partners;
 - significant corporate events, such as a significant pending or proposed acquisition;
 - new equity or debt offerings;
 - positive or negative developments in outstanding litigation, investigatory or regulatory matters;
 - major product announcements;
-

- a significant disruption in operations or breach or unauthorized access of property or assets, including information technology infrastructure; or
- known but unannounced changes in executive management.

Financial information is particularly sensitive. For example, nonpublic information about the results of Confluent's operations for even a portion of a quarter might be material in helping an analyst predict Confluent's results of operations for the quarter.

Information is "nonpublic" until it has been widely disseminated to the public (through, for example, an SEC filing, press conference or press release) and the public has had a chance to absorb and evaluate it. Generally speaking, information will be considered publicly disseminated for purposes of this Policy only after one full trading day has elapsed since the information was disclosed or when any special trading blackout imposed pursuant to Section 7(b) below has been lifted, whichever is later.

When in doubt, you should assume that the information is both material and nonpublic. If you have any questions as to whether information should be considered material or nonpublic, please consult with a Compliance Officer.

6. When You May Trade in Confluent's Common Stock

Even if you are not in possession of any material nonpublic information, you may only trade in Confluent's common stock if all of the following conditions have been met:

(i) Open Trading Window. If you are identified on Schedule I hereto (such individuals, collectively, the "**Restricted Group**"), you may only engage in transactions involving Confluent's common stock during an open trading window. Confluent's trading window will typically open at the start of the second full trading day following the date that its quarterly financial results are publicly disclosed and continue through the end of the 15th calendar day of the 3rd month of the quarter. In addition to regular quarterly blackout periods, there may be additional blackout periods when appropriate due to certain events, and these special blackout periods may include people outside of the Restricted Group. Confluent will notify you whenever a special blackout period goes into effect that applies to you. See "*Confluent's Blackout Periods*" below.

(ii) Pre-Clearance. If you are a member of the Board or an executive officer of Confluent, you must receive pre-clearance from a Compliance Officer or their delegate of any proposed transaction involving Confluent's common stock, including, without limitation, a bona fide gift or transfer for tax planning purposes. From time to time, a Compliance Officer may identify other persons who require pre-clearance on Schedule II hereto. A Compliance Officer may not engage in a transaction involving Confluent's common stock, including, without limitation, a gift or transfer of Confluent's common stock, unless the other Compliance Officer has pre-cleared it. The Compliance Officers are under no obligation to approve a transaction submitted for pre-clearance. Additionally, persons subject to pre-clearance must also give advance notice to a Compliance Officer of their plans to (i) exercise an outstanding stock option and (ii) convert shares of Class B common stock into shares of Class A common stock.

(iii) 10b5-1 Plan. The SEC has enacted rules that provide an affirmative defense against alleged violations of U.S. federal insider trading laws for transactions made pursuant to trading plans that meet certain requirements, commonly referred to as “10b5-1 trading plans.” These trading plans must be entered into when participants are not aware of material nonpublic information, meet the requirements set forth in Rule 10b5-1 of the Securities Exchange Act of 1934, as amended (“**Rule 10b5-1**”) and meet those specific requirements or guidelines established by Confluent for such plans. In addition, these trading plans, including any amendment, modification or termination, must be pre-approved, in writing, by a Compliance Officer or their delegate(s). Transactions made pursuant to a 10b5-1 trading plan are not subject to the restrictions in this Policy, even if you are aware of material nonpublic information at the time of the transaction or a blackout period is in effect.

(iv) Executive officers and directors, and persons identified on Schedule II hereto, are required, should they wish to trade in Confluent’s common stock, to do so via a 10b5-1 Plan, subject to such plan complying with Rule 10b5-1 and meeting those specific requirements or guidelines established by Confluent for such plans, including as set forth in Confluent’s 10b5-1 Plan Guidelines. Such persons must receive pre-clearance from a Compliance Officer or their delegate prior to entering into a 10b5-1 Plan, and such plans must be pre-approved by and filed with a Compliance Officer or their delegate.

If you do not follow the above requirements, you may be subject to disciplinary action, up to and including termination of your relationship with Confluent, as well as civil and criminal penalties as described in the section titled “*Consequences of Insider Trading*” below.

7. Confluent’s Blackout Periods

To limit the likelihood of trading at times when there is a significant risk of insider trading exposure, Confluent has instituted quarterly trading blackout periods applicable to the Restricted Group and may institute special trading blackout periods from time to time. Whether or not a blackout period is in effect, you must comply with this Policy and may not trade on the basis of material nonpublic information.

(a) Quarterly Blackout Periods

Except as discussed in the section titled “*Exceptions to the Insider Trading Policy*”, if you are in the Restricted Group you may not engage in transactions involving Confluent’s securities during quarterly blackout periods. Additionally, during quarterly blackout periods, if you are in the Restricted Group you may not make any bona fide gifts involving Confluent’s securities or transfers for tax planning purposes in which the beneficial ownership and/or pecuniary interest in the transferred securities changes. Some transactions that involve merely a change in the form in which you own securities may be permitted.

Quarterly blackout periods begin at the end of the 15th calendar day of the 3rd month of each fiscal quarter and end at the start of the second full trading day following the date of public disclosure of the financial results for that fiscal quarter. This defined period is a particularly sensitive time for transactions involving Confluent’s common stock from the perspective of compliance with applicable securities laws due to the fact that, during this period, individuals may

often possess or have access to material nonpublic information relevant to the expected financial results for the quarter.

(b)Special Blackout Periods

From time to time, Confluent may also implement additional blackout periods when, in the judgment of a Compliance Officer, a trading blackout is warranted. Confluent will generally impose special blackout periods when there are material developments known to us that have not yet been disclosed to the public. For example, Confluent may impose a special blackout period in anticipation of announcing interim earnings guidance or a significant transaction or business development. However, special blackout periods may be declared for any reason.

Confluent will notify you if you are subject to a special blackout period. If you receive this notification, you may not disclose to others the fact that you are subject to the special blackout period and may not engage in any transaction involving Confluent's common stock until approved by one of its Compliance Officers.

(c)Regulation BTR Blackouts

Directors and executive officers may also be subject to trading blackouts pursuant to Regulation Blackout Trading Restriction ("**Regulation BTR**") under U.S. federal securities laws. In general, Regulation BTR prohibits any director or executive officer from engaging in certain transactions involving Confluent's securities during periods when 401(k) plan participants are prevented from purchasing, selling or otherwise acquiring or transferring an interest in certain securities held in individual account plans. Any profits realized from a transaction that violates Regulation BTR are recoverable by Confluent, regardless of the intentions of the director or executive officer effecting the transaction. In addition, individuals who engage in such transactions are subject to sanction by the SEC as well as potential criminal liability.

Confluent will notify directors and executive officers if they are subject to a blackout trading restriction under Regulation BTR. Failure to comply with an applicable trading blackout in accordance with Regulation BTR is a violation of law and this Policy.

8. Exceptions to the Insider Trading Policy

There are limited exceptions to this Policy, which are described below. Please note that there may be instances where you suffer financial harm or other hardship or are otherwise required to forgo a planned transaction because of the restrictions imposed by this Policy. Personal financial emergencies or other personal circumstances are not mitigating factors under securities laws and will not excuse a failure to comply with this Policy.

(a)Receipt, Vesting, and Exercise of Stock Awards

The trading restrictions under this Policy do not apply to the acceptance or purchase of stock options, restricted stock or the like issued or offered directly by Confluent, nor do they apply to the vesting, cancellation, or forfeiture of stock options, restricted stock, restricted stock units or stock appreciation rights or the acquisition or repurchase of shares pursuant to option exercises under Confluent's option plans. This exception applies solely to the receipt or forfeiture of equity

awards or common stock to or from Confluent. Transfers of shares or equity awards in the open market are subject to this Policy, except as otherwise provided in this Section 8.

(b) Sale of Shares to Cover Tax Withholdings

If and when permitted by Confluent policy, including any mandatory “sell-to-cover” policy, the trading restrictions under this Policy will not apply to the sale of shares of Confluent’s common stock issued upon vesting of restricted stock units or pursuant to a purchase under Confluent’s Employee Stock Purchase Plan, in each case for the limited purpose of covering tax withholding obligations (and any associated broker or other fees).

(c) Tax Withholding Transactions

This policy does not apply to the surrender of shares directly to Confluent to satisfy tax withholding obligations as a result of the issuance of shares upon vesting or exercise of stock options, restricted stock, restricted stock units or stock appreciation rights or other equity awards granted under Confluent’s equity compensation plans. Any market sale of the stock received upon exercise or vesting of any such equity awards is subject to this Policy, except as otherwise provided in this Section 8.

(d) Purchases from Confluent’s Employee Stock Purchase Plan

The trading restrictions under this Policy do not apply to elections with respect to participation in any employee stock purchase plan or to purchases of Confluent’s common stock under such plan. However, the trading restrictions do apply to subsequent sales of Confluent’s common stock, except as otherwise provided in this Section 8.

(e) Stock Splits, Stock Dividends, and Similar Transactions

The trading restrictions under this Policy do not apply to a change in the number of securities held as a result of a stock split or stock dividend applying equally to all securities of a class, or similar transactions.

(f) Inheritance

The trading restrictions under this Policy do not apply to transfers by will or the laws of descent and distribution.

(g) Transactions under 10b5-1 Plans

The trading restrictions under this Policy do not apply to transactions made pursuant to properly established 10b5-1 trading plans.

(h) Domestic Relations Order

This Policy does not apply to the acquisition or disposition of Confluent’s securities pursuant to a domestic relations order, as defined in the Internal Revenue Code of 1986, as

amended, or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder.

(i) Other Exceptions

Any other exception from this Policy must be approved by a Compliance Officer in consultation with the Nominating and Governance Committee of the Board, as deemed necessary or appropriate by the Compliance Officer.

Please be aware that even if a transaction falls within one of the exceptions described above, you will need to separately assess whether the transaction complies with applicable law. If you have any questions, please consult with a Compliance Officer.

9. Consequences of Insider Trading

Penalties for violating insider trading laws can include one or more of the following: disgorging profit made or loss avoided by trading; paying the loss suffered by the persons who purchased securities from, or sold securities to, the insider tippee; paying civil penalties; and criminal penalties, including serving a jail term. Confluent as well as supervisors of the person violating the rules may also be required to pay civil or criminal penalties and could be subject to private lawsuits.

A violation of this Policy is not necessarily a violation of law. In fact, for reasons explained in this Policy, it is not necessary for us to wait for the filing or conclusion of any civil or criminal action against an alleged violator before taking disciplinary action as your employer. In addition, please remember that Confluent may prohibit a transaction from being completed to enforce compliance with this Policy.

10. How to Report Violations of the Insider Trading Policy

Please promptly report violations or suspected violations of this Policy to a Compliance Officer. You may also report via Confluent's EthicsPoint hotline at www.confluent.ethicspoint.com.

11. Priority of Statutory or Regulatory Trading Restrictions

The trading prohibitions and restrictions set forth in this Policy will be superseded by any greater prohibitions or restrictions prescribed by federal or state securities laws and regulations, or contractual restrictions on the sale of securities.

12. Amendments

Confluent is committed to continuously reviewing and updating its policies, and therefore reserves the right to amend this Policy at any time, for any reason, subject to applicable law.

Subsidiaries of Confluent, Inc.

The following is a list of subsidiaries of Confluent, Inc. as of December 31, 2024:

<u>Name of Subsidiary</u>	<u>Jurisdiction of Organization</u>
Confluent Australia Pty Limited	Australia
Infinitem Canada Ltd.	Canada
Confluent Czech Republic S.R.O.	Czech Republic
Confluent France SAS	France
Confluent Germany GmbH	Germany
Confluent Hong Kong Ltd	Hong Kong
Confluent India Private Limited	India
Confluent Ireland Software Limited	Ireland
Confluent Israel Ltd.	Israel
Confluent Italy S.R.L.	Italy
Confluent Japan Godo Kaisha	Japan
Confluent Korea Limited	Korea, Republic of
Confluent Malaysia Sdn. Bhd.	Malaysia
Confluent Netherlands B.V.	Netherlands
Confluent Singapore Pte. Ltd.	Singapore
Confluent Spain, Sociedad Limitada	Spain
Confluent Sweden AB	Sweden
Confluent Switzerland GmbH	Switzerland
Confluent ME FZ-LLC	United Arab Emirates
Confluent Europe Ltd.	United Kingdom
Confluent Federal, LLC	United States
Confluent International, Inc.	United States
Confluent International Holdings, Inc.	United States

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (Nos. 333-277233, 333-270077, 333-263004, and 333-257338) of Confluent, Inc. of our report dated February 18, 2025 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
San Francisco, California
February 18, 2025

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Edward Jay Kreps, certify that:

- (1) I have reviewed this Annual Report on Form 10-K of Confluent, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 18, 2025

By: /s/ Edward Jay Kreps
Edward Jay Kreps
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Rohan Sivaram, certify that:

- (1) I have reviewed this Annual Report on Form 10-K of Confluent, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 18, 2025

By: /s/ Rohan Sivaram
Rohan Sivaram
Chief Financial Officer
(Principal Financial Officer)

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Edward Jay Kreps
Edward Jay Kreps
Chief Executive Officer
(Principal Executive Officer)

This certification accompanies the Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing.

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Rohan Sivaram
Rohan Sivaram
Chief Financial Officer
(Principal Financial Officer)

This certification accompanies the Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing.

