



Investor Supplemental FY24-Q2

December 6, 2023

Disclaimer

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this press release other than statements of historical facts, including our market leadership position, anticipated benefits from our partnerships and investments, financial outlook, our expectations relating to our new consumption-pricing model and the impact to our results of operations, our expectation to be operating profitably on a non-GAAP basis by the end of fiscal 2025, the expected benefits of our offerings, our business strategies, plans, and objectives for future operations, are forward-looking statements. The words “anticipate,” “believe,” “continue,” “estimate,” “expect,” “intend,” “may,” “will” and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks and uncertainties, including difficulties in evaluating our prospects and future results of operations given our limited operating history, our dependence on a limited number of existing customers that account for a substantial portion of our revenue, our ability to attract new customers and retain existing customers, market awareness and acceptance of enterprise AI solutions in general and our products in particular, and our history of operating losses. Some of these risks are described in greater detail in our filings with the Securities and Exchange Commission, including our Quarterly Reports on Form 10-Q for the fiscal quarters ended July 31, 2023 and, when available, October 31, 2023, although new and unanticipated risks may arise. The future events and trends discussed in this press release may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, achievements, or events and circumstances reflected in the forward-looking statements will occur. Except to the extent required by law, we do not undertake to update any of these forward-looking statements after the date of this press release to conform these statements to actual results or revised expectations.

This presentation also contains estimates and other statistical data made by independent parties and by us relating to market size and growth and other data about our industry. This data involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. Neither we nor any other person makes any representation as to the accuracy or completeness of such data or undertakes any obligation to update such data after the date of this presentation. In addition, projections, assumptions, and estimates of our future performance and the future performance of the markets in which we operate are necessarily subject to a high degree of uncertainty and risk.

In addition to the financials presented in accordance with U.S. generally accepted accounting principles (“GAAP”), this presentation includes non-GAAP financial information. We believe that non-GAAP financial information, when taken collectively with financial information presented in accordance with GAAP, may be helpful to investors because it provides consistency and comparability with past financial performance. There are a number of limitations related to the use of non-GAAP financial metrics versus their nearest GAAP equivalents. For example, other companies may calculate non-GAAP metrics differently or may use other metrics to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial metrics as tools for comparison. We urge you to review the non-GAAP financial information with the financial information presented in accordance with GAAP, and not to rely on any single financial measure to evaluate our business.

FY24-Q2 Highlights

Number of
Agreements

62

Subscription
Revenue
Growth¹

12%

Revenue
Growth¹

17%

Customer
Engagement
Growth¹

81%

Cash
Balance

\$762M

(1) FY24-Q2 QTD vs FY23-Q2 QT and percentages are rounded for presentation purposes

 **C3.ai This is Enterprise AI.**

Revenue and Customer Engagement Accelerates

	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24
Total revenue (K)	\$72,317	\$65,308	\$62,408	\$66,669	\$72,410	\$72,362	\$73,229
% growth YOY	38%	25%	7%	(4)%	—%	11%	17%
Average selling price (K)	\$2,927	\$1,426	\$825	\$1,899	\$1,156	\$755	\$665
Customer Engagement	212	223	223	247	287	334	404
% growth YOY					35%	50%	81%
Customer Count	223	228	236	236	244		
% growth YOY	48%	27%	16%	8%	9%		
RPO (K)	\$477,421	\$458,209	\$417,320	\$403,159	\$381,437	\$334,560	\$303,552

Percentages are rounded for presentation purposes

Additional Growth Metrics

FY24-Q2	Quarter over Quarter Growth	Year over Year Growth
Bookings	71%	100%
New Agreements	94%	148%
Pilots	50%	177%

Percentages are rounded for presentation purposes.

FY24-Q2 C3 AI Partner Model Success

- Closed 62 agreements during Q2 FY24, of which 40 were with partners
- Qualified opportunity pipeline with partners has increased by 75% in the past year
- AWS Expanded Strategic Collaboration Agreement with renewed collaboration to deepen C3 Generative AI Suite development for AWS Marketplace
- AWS partnership resulted in 19 closed agreements

Google Cloud

aws

Microsoft

Baker Hughes



accenture

Peraton

Raytheon Technologies

Booz | Allen | Hamilton


C3 AI Customer Success





C3 Generative AI: AWS Marketplace Edition

Rapidly locate, retrieve, and act on enterprise data and insights.

No-Code, Self-Service Generative AI
Application in  marketplace

Guidance

	FY24-Q3	FY24
Total Revenue	\$74.0 – \$78.0 million	\$295.0 – \$320.0 million
YoY Growth %	11% – 17%	11% – 20%
Non-GAAP Loss from Operations	(\$40.0) – (\$46.0) million	(\$115.0) – (\$135.0) million

Our guidance includes GAAP and non-GAAP financial measures. A reconciliation of non-GAAP guidance measures to corresponding GAAP measures is not available on a forward-looking basis without unreasonable effort due to the uncertainty regarding, and the potential variability of, expenses that may be incurred in the future. Stock-based compensation expense-related charges, including employer payroll tax-related items on employee stock transactions, are impacted by the timing of employee stock transactions, the future fair market value of our common stock, and our future hiring and retention needs, all of which are difficult to predict and subject to constant change. We have provided a reconciliation of GAAP to non-GAAP financial measures in the financial statement tables for our historical non-GAAP results included in this presentation. Our fiscal year ends April 30, and numbers are rounded for presentation purposes.

Finance Update

FY24-Q2 Summary Financial Results

	FY24-Q2
Revenue	\$73.2 million
Subscription Revenue	\$66.4 million
Non-GAAP Gross Profit	\$50.4 million
Non-GAAP Gross Margin	69%
Non-GAAP net loss per share	\$(0.13)
Free Cash Flow	\$(55.1) million

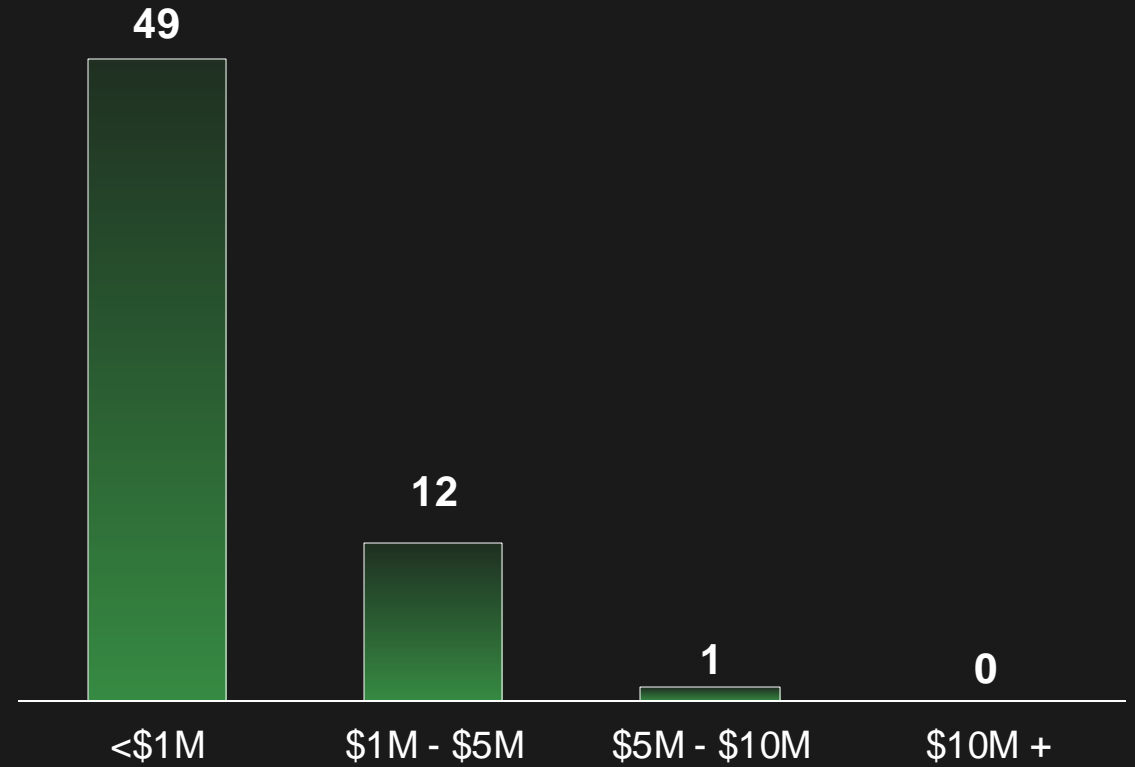
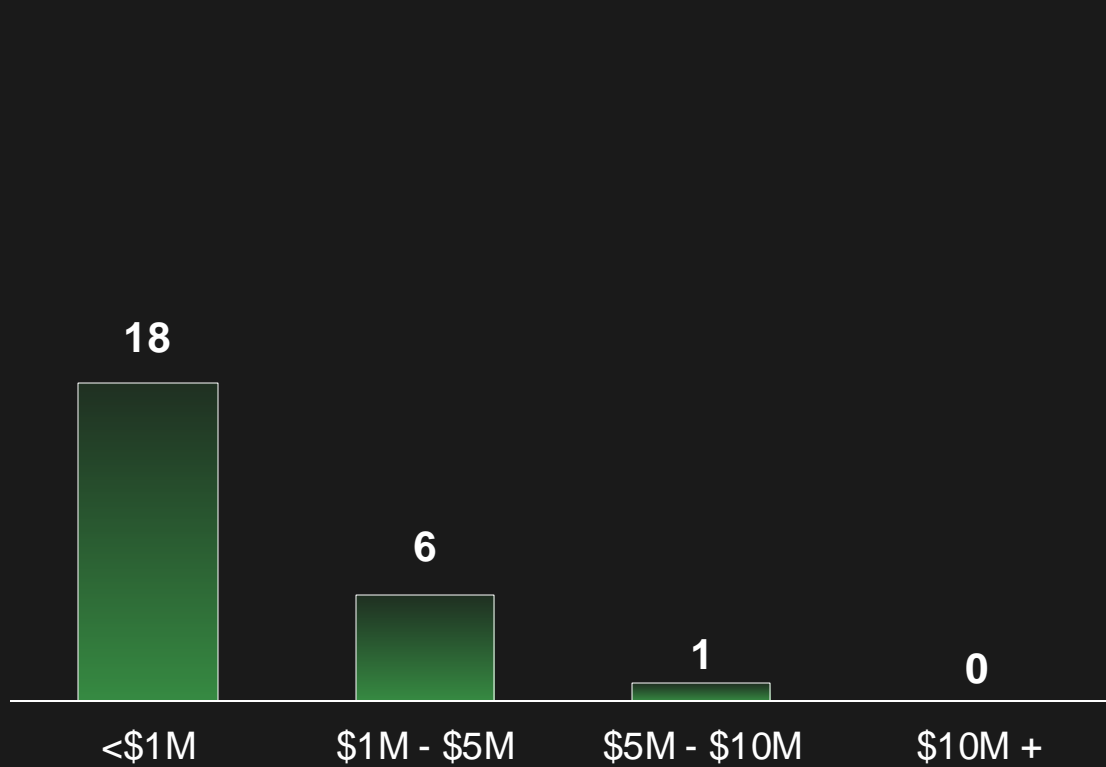
Note: Non-GAAP Gross Profit, Non-GAAP Gross Margin, Non-GAAP net loss per share, Free cash flow is a non-GAAP financial measure. Refer to the Appendix for a reconciliation of this non-GAAP financial measure to the most directly comparable GAAP measure. Numbers and percentages are rounded for presentation purposes.

Deal Bands

\$ in Millions

FY23-Q2

FY24-Q2



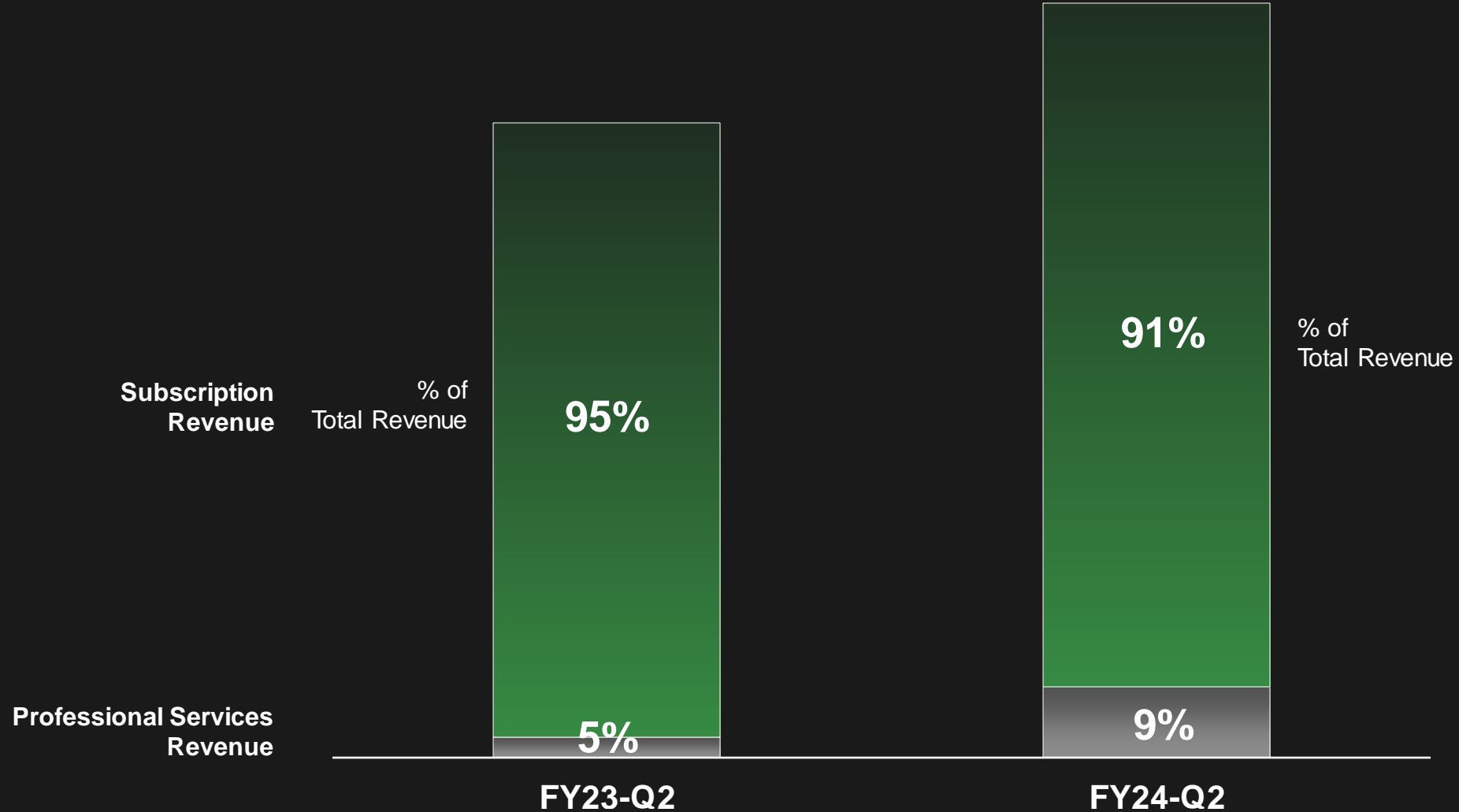
Average TCV

\$0.8 M

\$0.7 M

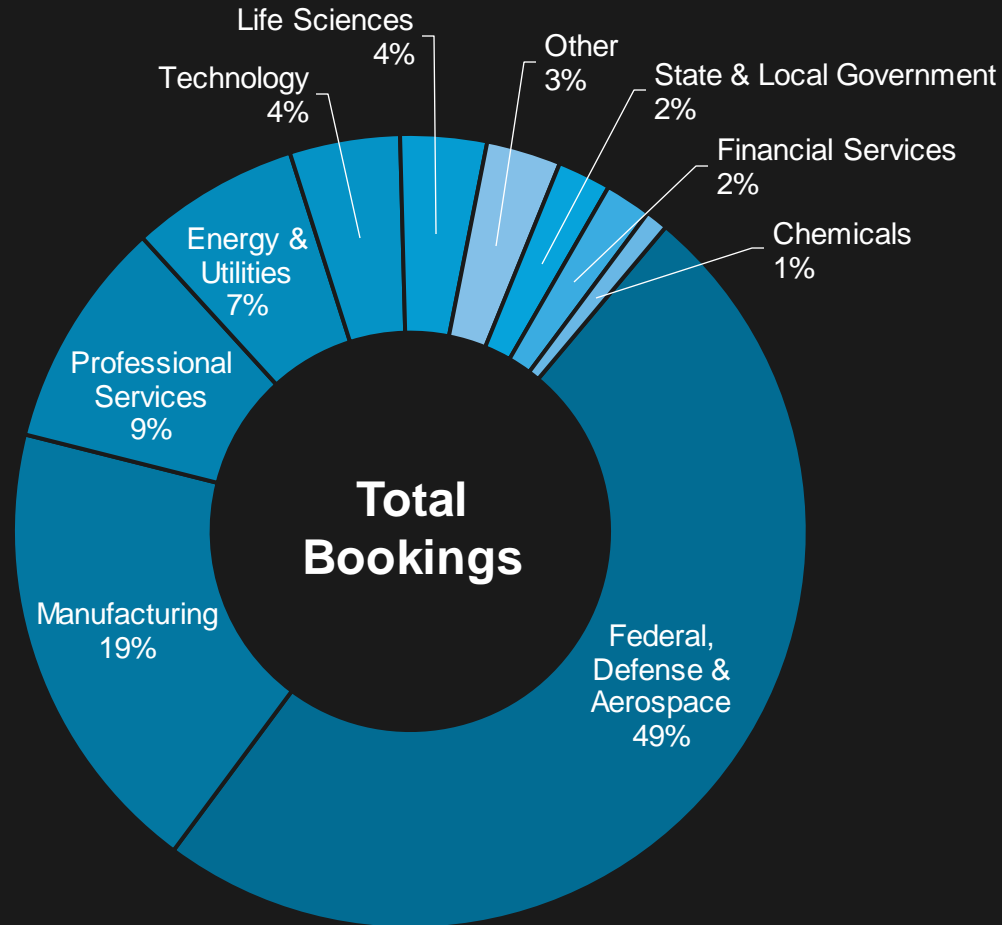
Note: Fiscal year ends April 30. Numbers are rounded for presentation purposes.

Total Revenue Mix



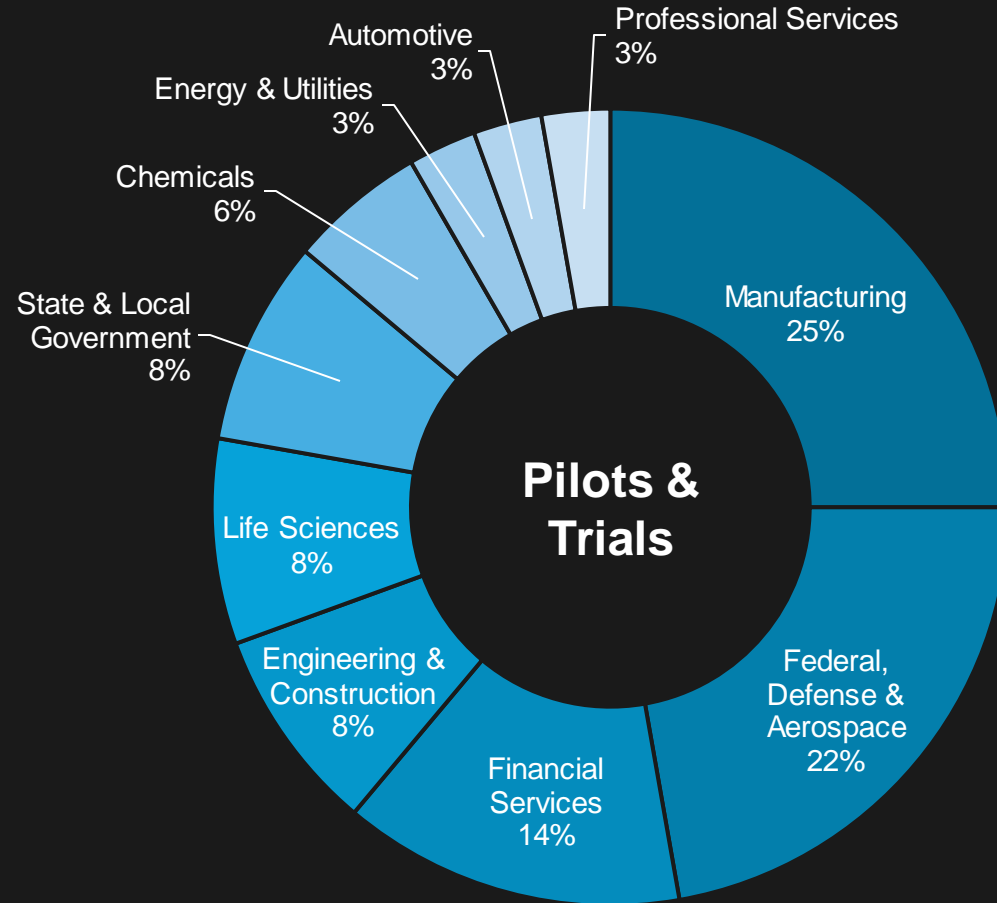
Note: Numbers and percentages are rounded for presentation purposes.

Bookings Diversity by Industry FY24-Q2



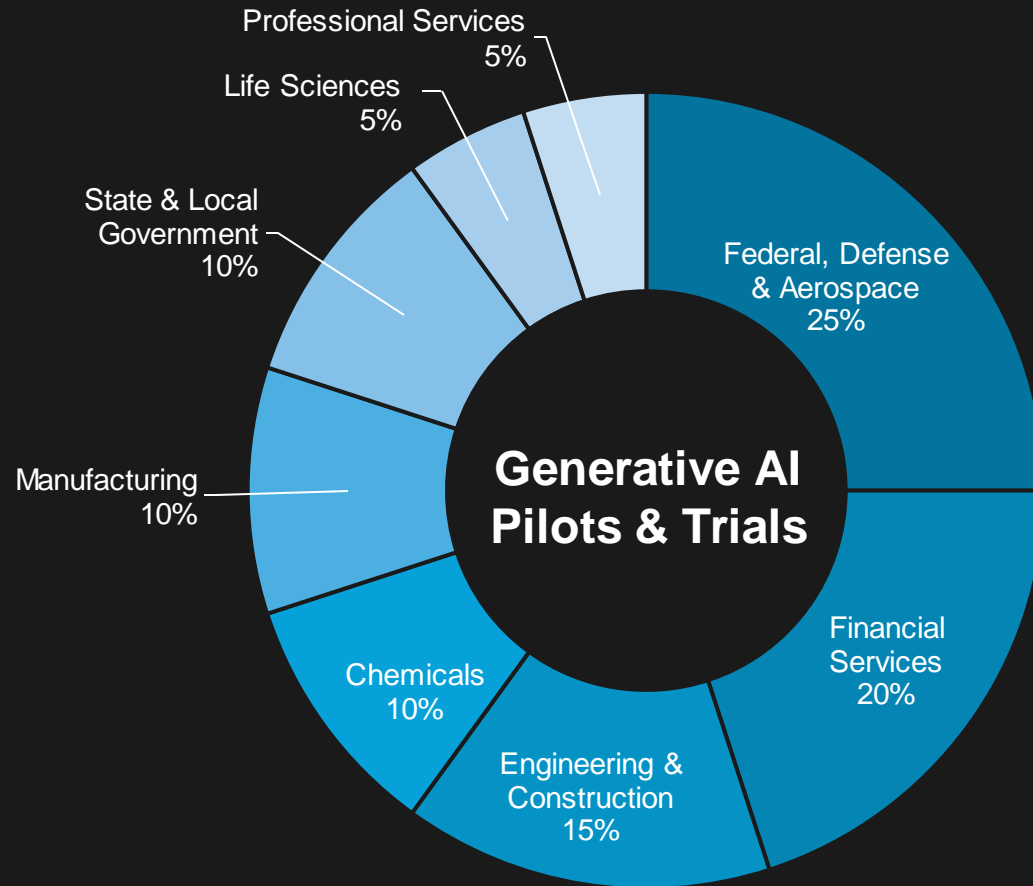
Note: Fiscal year ends April 30. Percentages are rounded for presentation purposes. % calculation is based on dollar amount

Pilots & Trials Diversity by Industry FY24-Q2



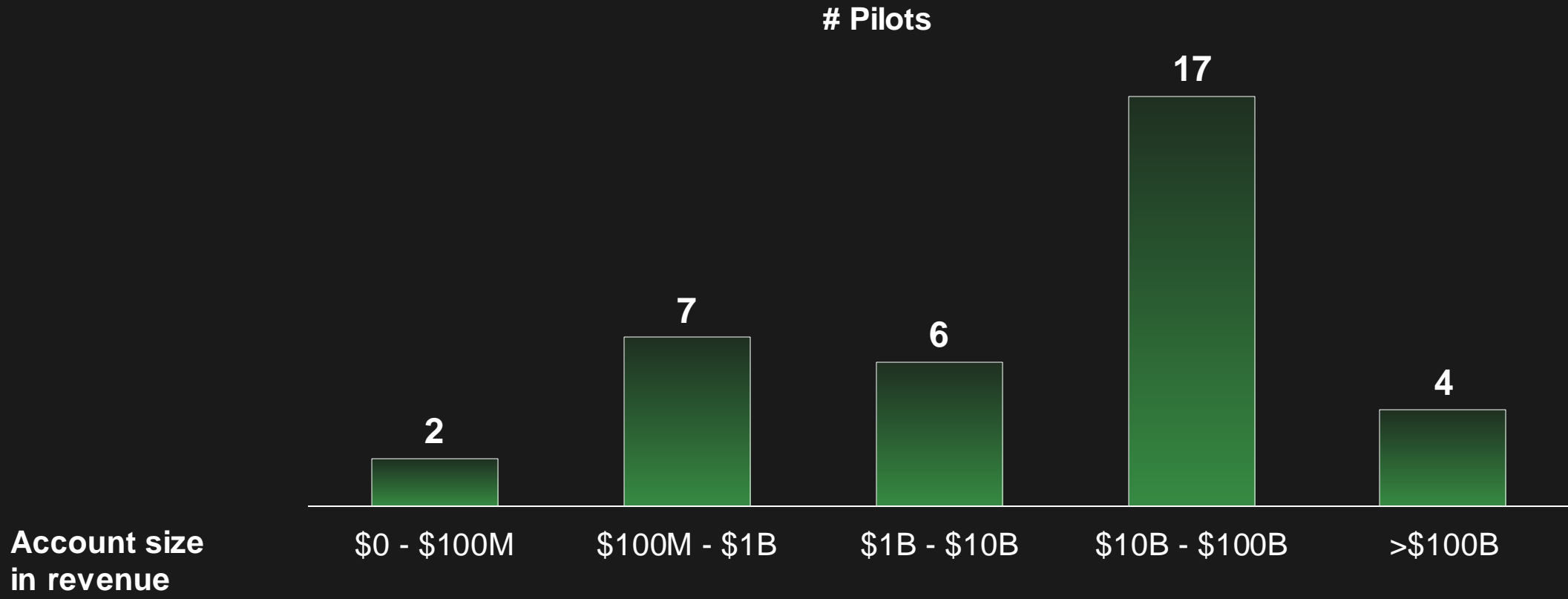
Note: Fiscal year ends April 30. Percentages are rounded for presentation purposes. % calculation is based on deal count

Generative AI Pilots & Trials Diversity by Industry FY24-Q2

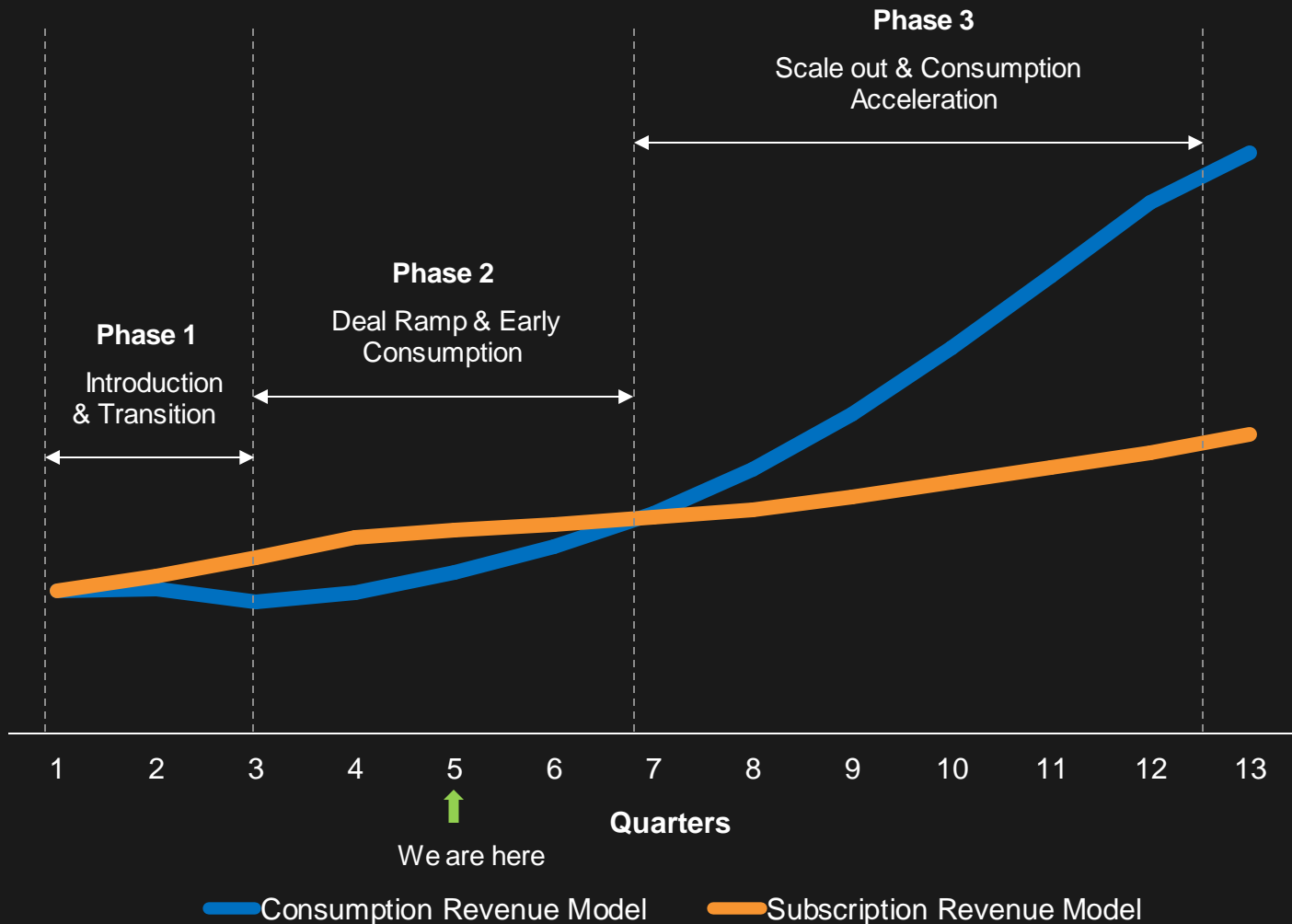


Note: Fiscal year ends April 30. Percentages are rounded for presentation purposes. % calculation is based on deal count

Pilot Account Profile FY24-Q2



Consumption Based Revenue Transition



Phase 1 – Introduction & Transition

- First pilots started along with trials
- Pilots have a lower TCV and higher initial investment costs
- Revenue growth flattens and gross margin compresses

Phase 2 – Deal Ramp & Early Consumption

- Increased number of pilots and more customers convert to consumption
- Revenue decline bottoms
- Total revenue growth and gross margin improve

Phase 3 – Scale out & Consumption Acceleration

- Larger number of customers have converted to consumption
- Revenue growth accelerates and gross margin trends toward pre-transition level (high 70s)

C3 AI Investment Thesis



Huge Addressable Market



First-mover Advantage



Patented Enterprise AI Application Platform



Substantial Market Partner Ecosystem



Recognized AI Market Leadership



Proven Track Record of Success



Veteran Disciplined Management Team



High-Performance Corporate Culture



Excellence in Execution

 **C3.ai This is Enterprise AI.**

Appendix

Income Statement

	Three Months Ended							
	January 31, 2022	April 30, 2022	July 31, 2022	October 31, 2022	January 31, 2023	April 30, 2023	July 31, 2023	October 31, 2023
Revenue								
Subscription	\$ 57,084	\$ 56,302	\$ 57,026	\$ 59,508	\$ 57,043	\$ 56,866	\$ 61,352	\$ 66,449
Professional services	12,689	16,015	8,282	2,900	9,626	15,544	11,010	6,780
Total Revenue	69,773	72,317	65,308	62,408	66,669	72,410	72,362	73,229
Cost of revenue								
Subscription ⁽¹⁾⁽²⁾	12,275	12,958	14,092	19,165	21,294	23,872	30,434	30,937
Professional services ⁽¹⁾⁽²⁾	5,079	4,405	4,314	1,587	977	1,036	1,379	1,179
Total cost of revenue	17,354	17,363	18,406	20,752	22,271	24,908	31,813	32,116
Gross profit	52,419	54,954	46,902	41,656	44,398	47,502	40,549	41,113
Operating expenses								
Sales and marketing ⁽¹⁾⁽²⁾	43,146	47,450	42,987	44,936	43,497	51,701	43,885	49,895
Research and development ⁽¹⁾⁽²⁾	40,931	46,378	55,877	50,051	55,051	49,681	50,868	50,399
General and administrative ⁽¹⁾⁽²⁾	15,748	17,649	21,247	18,635	17,888	19,400	19,889	20,215
Total operating expenses	99,825	111,477	120,111	113,622	116,436	120,782	114,642	120,509
Loss from operations	(47,406)	(56,523)	(73,209)	(71,966)	(72,038)	(73,280)	(74,093)	(79,396)
Interest income	410	750	2,538	4,224	6,987	8,230	10,122	10,480
Other (expense) income, net	7,742	(2,452)	(1,021)	(945)	2,032	284	(239)	(638)
Net income (loss) before provision for income taxes	(39,254)	(58,225)	(71,692)	(68,687)	(63,019)	(64,766)	(64,210)	(69,554)
Provision for income taxes	193	195	179	163	143	190	148	226
Net income (loss)	\$ (39,447)	\$ (58,420)	\$ (71,871)	\$ (68,850)	\$ (63,162)	\$ (64,956)	\$ (64,358)	\$ (69,780)

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

	Three months ended							
	January 31, 2022	April 30, 2022	July 31, 2022	October 31, 2022	January 31, 2023	April 30, 2023	July 31, 2023	October 31, 2023
Cost of subscription	\$ 2,639	\$ 2,814	\$ 4,272	\$ 5,486	\$ 5,996	\$ 5,663	\$ 8,056	\$ 8,514
Cost of professional services	704	719	1,071	479	361	309	460	479
Sales and marketing	8,850	11,804	16,779	19,080	18,316	17,214	16,779	18,226
Research and development	12,846	13,340	25,217	23,905	23,646	17,449	17,033	16,685
General and administrative	6,322	6,951	9,291	7,063	7,512	7,433	8,552	9,265
Total stock-based compensation expense	\$ 31,361	\$ 35,628	\$ 56,630	\$ 56,013	\$ 55,831	\$ 48,068	\$ 50,880	\$ 53,169

(2) Includes employer payroll tax expense related to stock-based compensation as follows:

	Three months ended							
	January 31, 2022	April 30, 2022	July 31, 2022	October 31, 2022	January 31, 2023	April 30, 2023	July 31, 2023	October 31, 2023
Cost of subscription	\$ 7	\$ 35	\$ 286	\$ 170	\$ 190	\$ 357	\$ 509	\$ 282
Cost of professional services	1	6	100	16	11	20	32	15
Sales and marketing	202	42	530	356	277	604	1,005	463
Research and development	38	72	943	386	618	576	817	415
General and administrative	108	23	183	63	79	112	137	99
Total employer payroll tax expense	\$ 356	\$ 178	\$ 2042	\$ 991	\$ 1175	\$ 1669	\$ 2500	\$ 1274

GAAP to Non-GAAP Reconciliations

	Three Months Ended								
	January 31, 2022	April 30, 2022	July 31, 2022	October 31, 2022	January 31, 2023	April 30, 2023	July 31, 2023	October 31, 2023	
Subscription revenue	\$ 57,084	\$ 56,302	\$ 57,026	\$ 59,508	\$ 57,043	\$ 56,866	\$ 61,352	\$ 66,449	
Professional services revenue	12,689	16,015	8,282	2,900	9,626	15,544	11,010	6,780	
Total Revenue	69,773	72,317	65,308	62,408	66,669	72,410	72,362	73,229	
GAAP cost of subscription revenue	12,275	12,958	14,092	19,165	21,294	23,872	30,434	30,937	
Stock-based compensation	2,639	2,814	4,272	5,486	5,996	5,663	8,056	8,514	
Employer payroll tax expense related to employee stock-based compensation	7	35	286	170	190	357	509	282	
Non-GAAP cost of subscription revenue	9,629	10,109	9,534	13,509	15,108	17,852	21,869	22,141	
GAAP cost of professional services revenue	5,079	4,405	4,314	1,587	977	1,036	1,379	1,179	
Stock-based compensation	704	719	1,071	479	361	309	460	479	
Employer payroll tax expense related to employee stock-based compensation	1	6	100	16	11	20	32	15	
Non-GAAP cost of professional services revenue	4,374	3,680	3,143	1,092	605	707	887	685	
GAAP sales and marketing expense	43,146	47,450	42,987	44,936	43,497	51,701	43,885	49,895	
Stock-based compensation	8,850	11,804	16,779	19,080	18,316	17,214	16,779	18,226	
Employer payroll tax expense related to employee stock-based compensation	202	42	530	356	277	604	1,005	463	
Non-GAAP sales and marketing expense	34,094	35,604	25,678	25,500	24,904	33,883	26,101	31,206	
GAAP research and development expense	40,931	46,378	55,877	50,051	55,051	49,681	50,868	50,399	
Stock-based compensation	12,846	13,340	25,217	23,905	23,646	17,449	17,033	16,685	
Employer payroll tax expense related to employee stock-based compensation	38	72	943	386	618	576	817	415	
Non-GAAP research and development expense	28,047	32,966	29,717	25,760	30,787	31,656	33,018	33,299	
GAAP general and administrative expense	15,748	17,649	21,247	18,635	17,888	19,400	19,889	20,215	
Stock-based compensation	6,322	6,951	9,291	7,063	7,512	7,433	8,552	9,265	
Employer payroll tax expense related to employee stock-based compensation	108	23	183	63	79	112	137	99	
Non-GAAP general and administrative expense	9,318	10,675	11,773	11,509	10,297	11,855	11,200	10,851	
Gross profit on a GAAP basis	\$ 52,419	\$ 54,954	\$ 46,902	\$ 41,656	\$ 44,398	\$ 47,502	\$ 40,549	\$ 41,113	
Stock-based compensation	3,343	3,533	5,343	5,965	6,357	5,972	8,516	8,993	
Employer payroll tax expense related to employee stock-based compensation	8	41	386	186	201	377	541	297	
Gross profit on a non-GAAP basis	55,770	58,528	52,631	47,807	50,956	53,851	49,606	50,403	
Gross margin on a GAAP basis	75 %	76 %	72 %	67 %	67 %	66 %	56 %	56 %	
Gross margin on a non-GAAP basis	80 %	81 %	81 %	77 %	76 %	74 %	69 %	69 %	
Loss from operations on a GAAP basis	(47,406)	(56,523)	(73,209)	(71,966)	(72,038)	(73,280)	(74,093)	(79,396)	
Stock-based compensation expense	31,361	35,628	56,630	56,013	55,831	48,068	50,880	53,169	
Employer payroll tax expense related to employee stock-based compensation	356	178	2,042	991	1,175	1,669	2,500	1,274	
Loss from operations on a non-GAAP basis	\$ (15,689)	\$ (20,717)	\$ (14,537)	\$ (14,962)	\$ (15,032)	\$ (23,543)	\$ (20,713)	\$ (24,953)	
Operating margin on a GAAP basis	-68 %	-78 %	-112 %	-115 %	-108 %	-101 %	-102 %	-108 %	
Operating margin on a non-GAAP basis	-22 %	-29 %	-22 %	-24 %	-23 %	-33 %	-29 %	-34 %	
RPO	\$ 469,276	\$ 477,421	\$ 458,209	\$ 417,320	\$ 403,159	\$ 381,437	\$ 334,560	\$ 303,552	
Cancelled amount of contract value	67,454	39,396	38,626	36,229	33,171	40,247	46,400	40,578	
Non-GAAP RPO	\$ 536,730	\$ 516,817	\$ 496,835	\$ 453,549	\$ 436,330	\$ 421,684	\$ 380,960	\$ 344,130	

Free Cash Flow

	Six Months Ended October 31,	
	2023	2022
	(in thousands)	
Net cash used in operating activities	\$ (44,654)	\$ (90,845)
Less:		
Purchases of property and equipment	(16,631)	(39,978)
Capitalized software development costs	(2,750)	(1,000)
Free cash flow	\$ (64,035)	\$ (131,823)
Net cash (used in) provided by investing activities	\$ (96,698)	\$ 30,532
Net cash provided by (used in) financing activities	\$ 5,532	\$ (1,593)

