

 C3.ai This is Enterprise AI.

# Investor Supplemental FY25-Q2

December 9, 2024

# Disclaimer

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The words “anticipate,” “believe,” “continue,” “estimate,” “expect,” “intend,” “may,” “will” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these words. Forward-looking statements in this press release include, but are not limited to, statements regarding our market leadership position, anticipated benefits from our partnerships, financial outlook, our sales and customer opportunity pipeline including our industry diversification, the expected benefits of our offerings (including the potential benefits of our C3 Generative AI offerings), and our business strategies, plans, and objectives for future operations. 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 our history of losses and ability to achieve and maintain profitability in the future, our historic 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, the length and unpredictability of our sales cycles and the time and expense required for our sales efforts. 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, 2024 and, when available, October 31, 2024, 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.

# FY25-Q2 Highlights

Number of  
Agreements

**58**

Subscription  
Revenue Growth<sup>1</sup>

**22%**

Revenue  
Growth<sup>1</sup>

**29%**

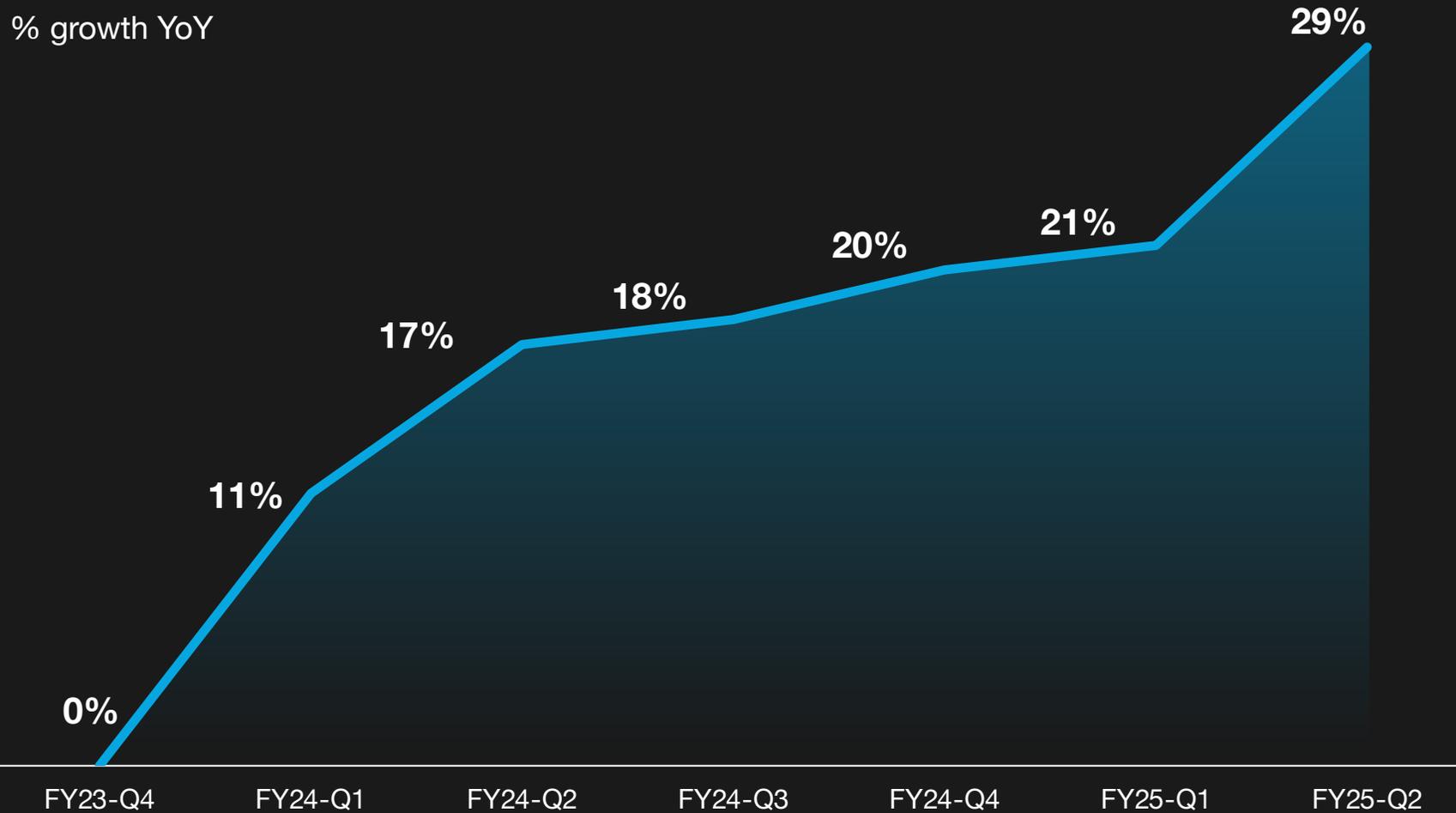
Cash  
Balance

**\$730.4M**

(1) FY25-Q2 QTD vs FY24-Q2 QTD and percentages are rounded for presentation purposes

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

# Revenue Growth Accelerates



Percentages are rounded for presentation purposes

# C3 AI and Microsoft Forge Strategic Alliance to Accelerate Enterprise AI Adoption



**Joint Sales and Marketing**

**Product Development**

**Joint Delivery**

**Technical Integration**

————— **Immediately Available** —————

**C3 AI Reliability**

**C3 AI Demand Forecasting**

**C3 AI Sourcing Optimization**

**C3 AI ESG**

**C3 AI Property Appraisal**

**C3 Generative AI for Public Benefits**

**C3 AI Energy Management**

# Highlights of C3 AI Microsoft Strategic Alliance Agreement



- Established as a preferred AI application software provider on Microsoft Azure
- All C3 AI Enterprise AI applications available on Azure Portal
- Orderable on Microsoft Paper
- Orderable on Microsoft Portal
- Commissions paid to Azure Reps
- Joint Sales
- Joint Marketing
- Close Development & Coordination
- Term: October 2024 to March 2030

# Revenue Growth Accelerates

	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25
Total revenue (K)	\$72,362	\$73,229	\$78,401	\$86,590	\$87,213	\$94,338
% growth YoY	11%	17%	18%	20%	21%	29%
RPO (K)	\$334,560	\$303,552	\$286,867	\$244,304	\$204,470	\$260,520
Subscription revenue % growth YoY	8%	12%	23%	41%	20%	22%

Percentages are rounded for presentation purposes

# C3 AI Customer Success



# C3 AI Awarded Patent for AI Agents

## Enterprise Generative Artificial Intelligence Architecture

### Key Patented Technology

- AI Orchestrator
- Autonomy
- Multimodal Model Integration
- Natural Language Summarization
- Traceability and Security



(12) **United States Patent**  
Siebel et al.

(10) **Patent No.:** US 12,111,859 B2  
(45) **Date of Patent:** Oct. 8, 2024

(54) **ENTERPRISE GENERATIVE ARTIFICIAL INTELLIGENCE ARCHITECTURE**

(58) **Field of Classification Search**  
CPC ..... G06F 16/345; G06F 16/3347; G06F 40/20  
(Continued)

(71) Applicant: **C3.ai, Inc.**, Redwood City, CA (US)

(56) **References Cited**  
U.S. PATENT DOCUMENTS

(72) Inventors: **Thomas M. Siebel**, Woodside, CA (US); **Nikhil Krishnan**, Los Altos, CA (US); **Louis Poirier**, Paris (FR); **Romain Juban**, San Francisco, CA (US); **Michael Haines**, San Francisco, CA (US); **Yushi Homma**, Santa Clara, CA (US); **Riyad Muradov**, Foster City, CA (US)

8,666,928 B2 3/2014 Tunstall-Pedoe  
10,621,282 B1 4/2020 Selfridge  
(Continued)

(73) Assignee: **C3.ai, Inc.**, Redwood City, CA (US)

OTHER PUBLICATIONS

(\*) Notice: Subject to any disclaimer, the term of this patent is extended or adjusted under 35 U.S.C. 154(b) by 0 days.

Christidis, Angelos et al., "Serving Machine Workloads in Resource Constrained Environments: A Serverless Deployment Example," 2019 IEEE 12th Conference on Service-Oriented Computing and Applications (SOCA), pp. 55-63, Nov. 2019.  
(Continued)

(21) Appl. No.: **18/542,536**

*Primary Examiner* — Vincent F Boccio

(22) Filed: **Dec. 15, 2023**

(74) *Attorney, Agent, or Firm* — Ahmann Kloke LLP; Benjamin E. Berman

(65) **Prior Publication Data**  
US 2024/0202225 A1 Jun. 20, 2024

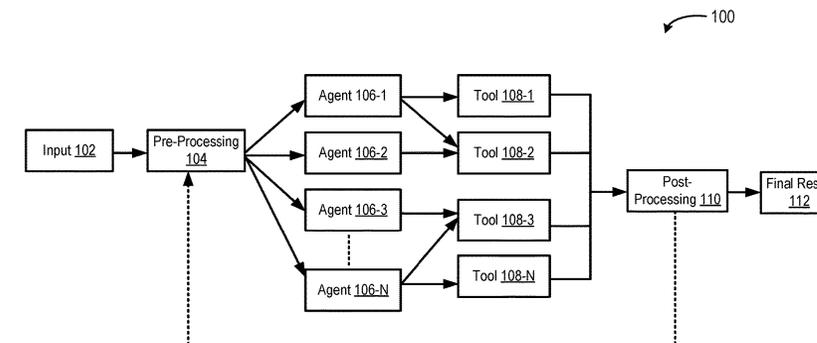
(60) Provisional application No. 63/433,124, filed on Dec. 16, 2022, provisional application No. 63/446,792, (Continued)

(57) **ABSTRACT**  
Systems and methods managing, by an orchestrator, a plurality of agents to generate a response to an input. The orchestrator employs one or more multimodal models such as a large language models to process or deconstruct the prompt into a series of instructions for different agents. Each agent employs one or more machine-learning models to process disparate inputs or different portions of an input associated with the prompt. The system generates, by the orchestrator, a natural language summary of the structured and unstructured data records. The system formulates output and transmits the natural language summary of the data records.

(51) **Int. Cl.**  
*G06F 16/00* (2019.01)  
*G06F 16/33* (2019.01)  
(Continued)

(52) **U.S. Cl.**  
CPC ..... *G06F 16/345* (2019.01); *G06F 16/3326* (2019.01); *G06F 16/334* (2019.01);  
(Continued)

**20 Claims, 17 Drawing Sheets**



# FY25 Q2 C3 AI Partner Model Success

- **Microsoft** & C3 AI established a new strategic alliance to accelerate Enterprise AI adoption. C3 AI is established as a preferred AI application provider on Azure and creating a joint go-to-market engine fueled by Azure sales channels
- **Capgemini** & C3 AI extended their partnership, with Capgemini scaling its C3 AI practice to deliver rapid Enterprise AI solutions across industries
- **Google Cloud** and C3 AI jointly closed 20 agreements, an increase of more than 180% year-over-year
- In Q2, C3 AI closed 62% of total agreements through its partner network.



# Guidance

	<b>FY25-Q3</b>	<b>FY25</b>
Total Revenue	\$95.5 – \$100.5 million	\$378.0 – \$398.0 million
YoY Growth %	22% – 28%	22% – 28%
Non-GAAP Loss from Operations	(\$38.6) – (\$46.6) million	(\$105.0) – (\$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.

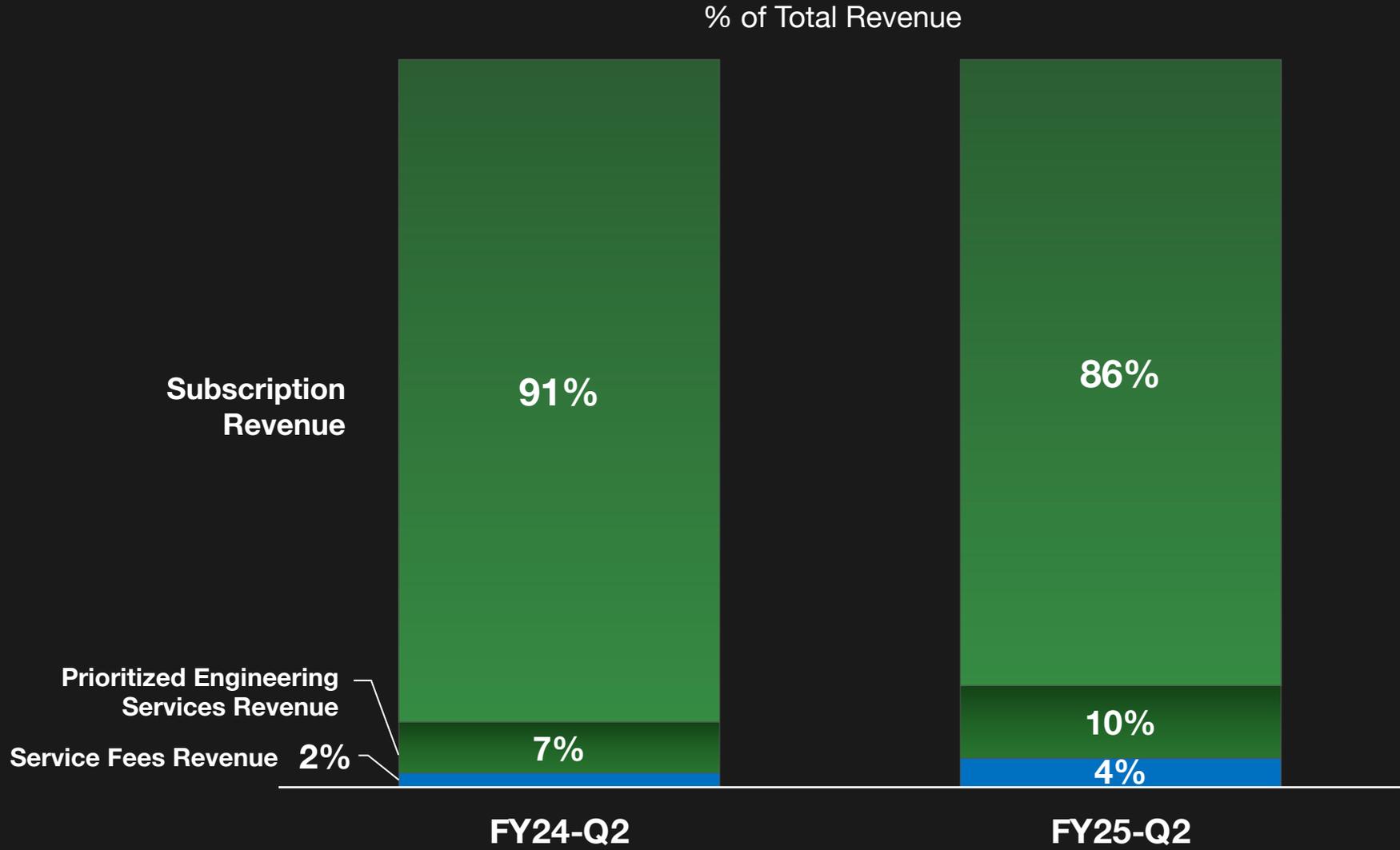
# Finance Update

# FY25-Q2 Summary Financial Results

	FY25-Q2
Revenue	\$94.3 million
Subscription Revenue	\$81.2 million
Subscription and Prioritized Engineering Services Revenue Combined	\$90.8 million
Non-GAAP Gross Profit	\$66.3 million
Non-GAAP Gross Margin	70%
Non-GAAP Loss from Operations	(\$17.1) million
Non-GAAP Net Loss	(\$7.8) million
Free Cash Flow	(\$39.5) million

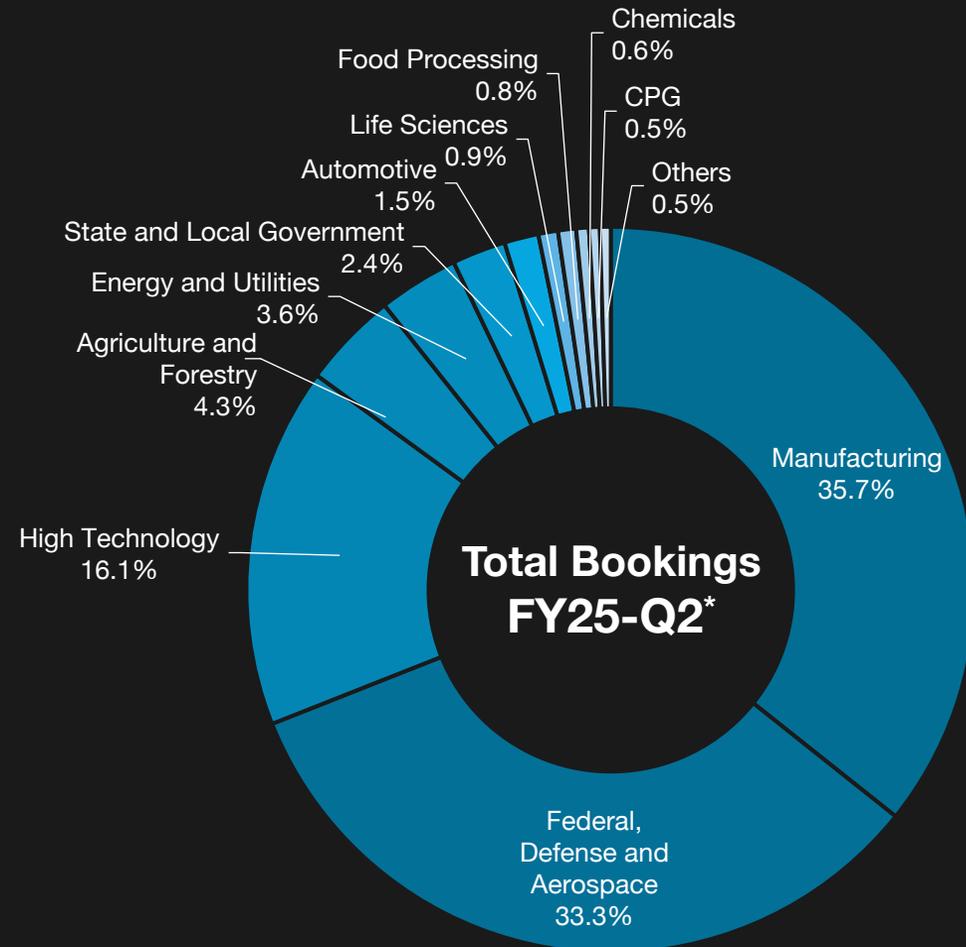
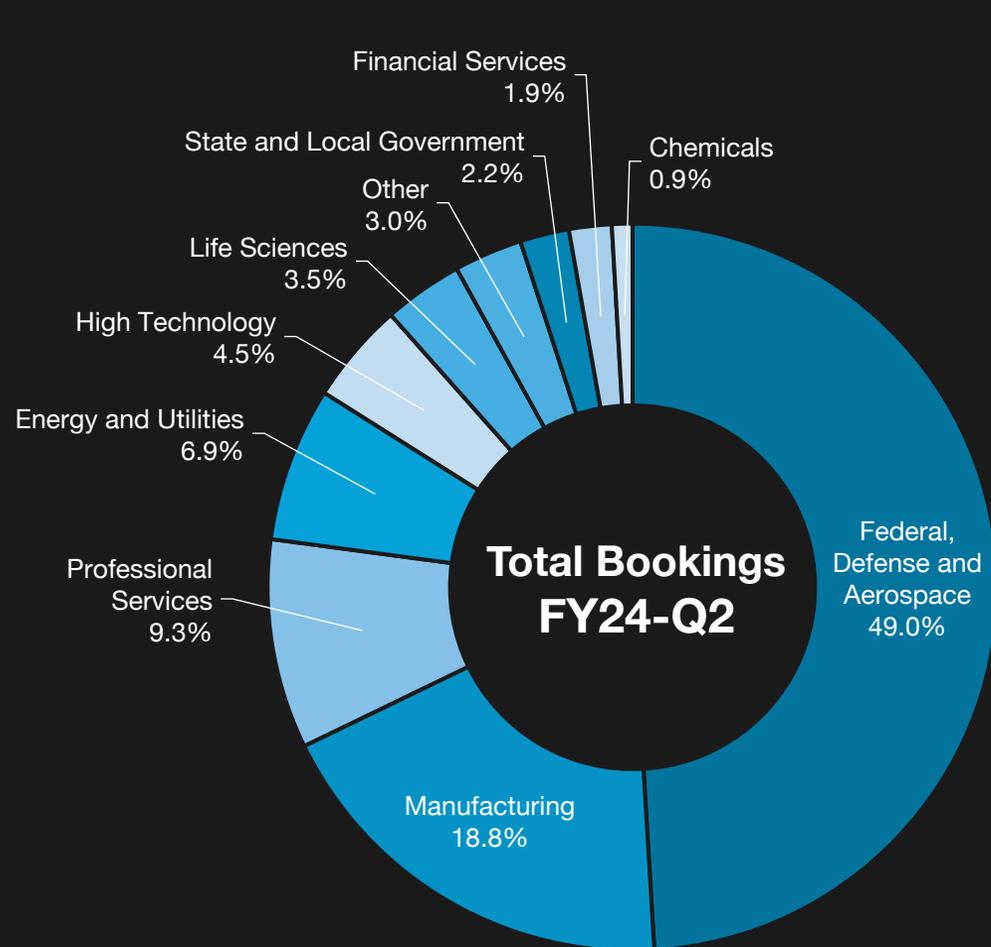
Note: Non-GAAP Gross Profit, Non-GAAP Gross Margin, Non-GAAP loss from Operations, Non-GAAP Net Loss and Free cash flow are non-GAAP financial measures. Refer to the Appendix for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measure. Numbers and percentages are rounded for presentation purposes.

# Total Revenue Mix



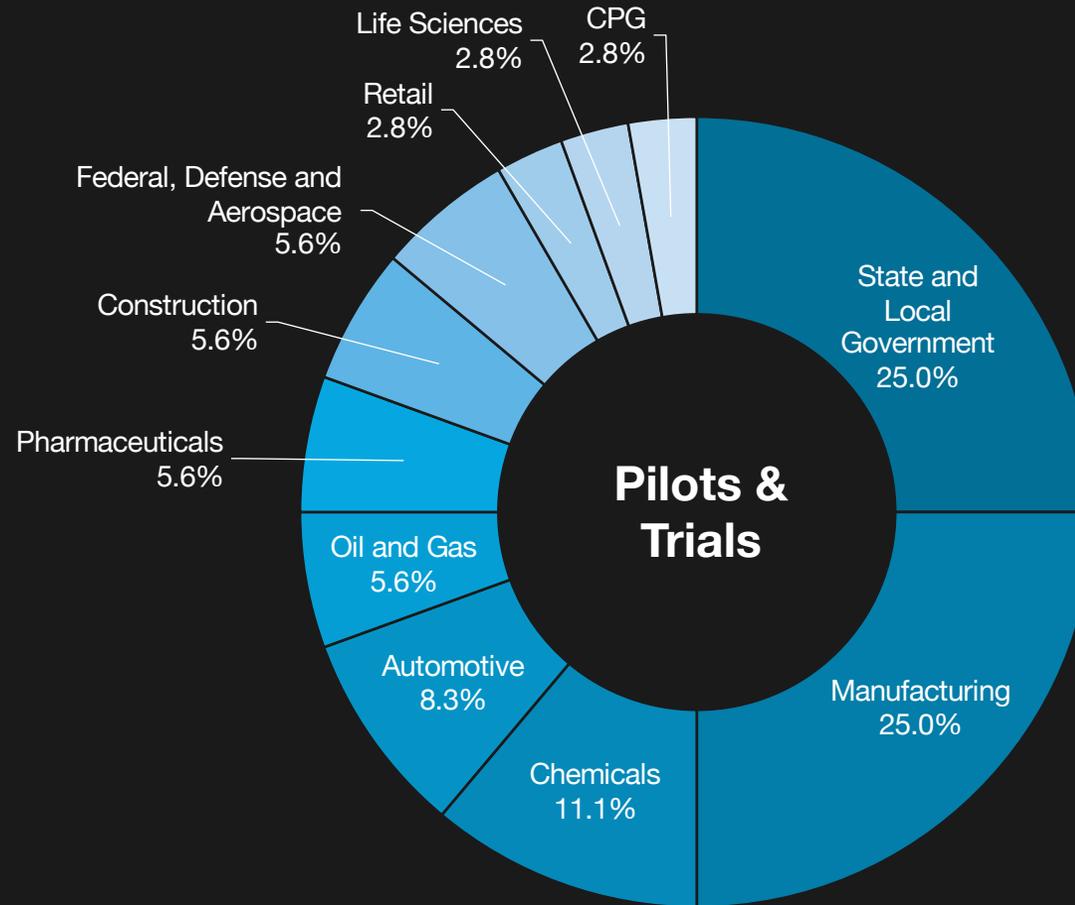
Note: Numbers and percentages are rounded for presentation purposes.

# Bookings Diversity by Industry: FY25-Q2



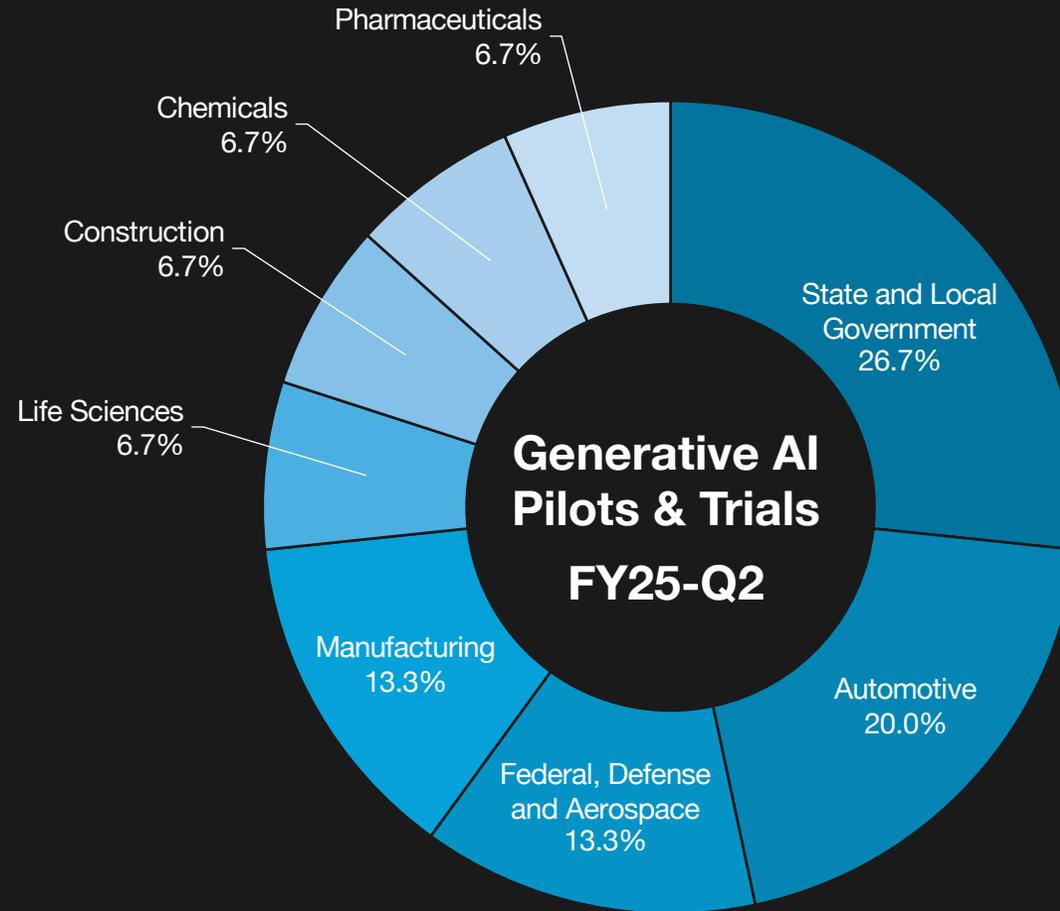
Note:  
 Fiscal year ends April 30. Percentages are rounded for presentation purposes. % calculation is based on dollar amount  
 \* Excludes \$87.8 million of non-cancellable commitments where actual product selection and quantities of specific products or services will be determined at a later date.

# Pilots & Trials Diversity by Industry: FY25-Q2



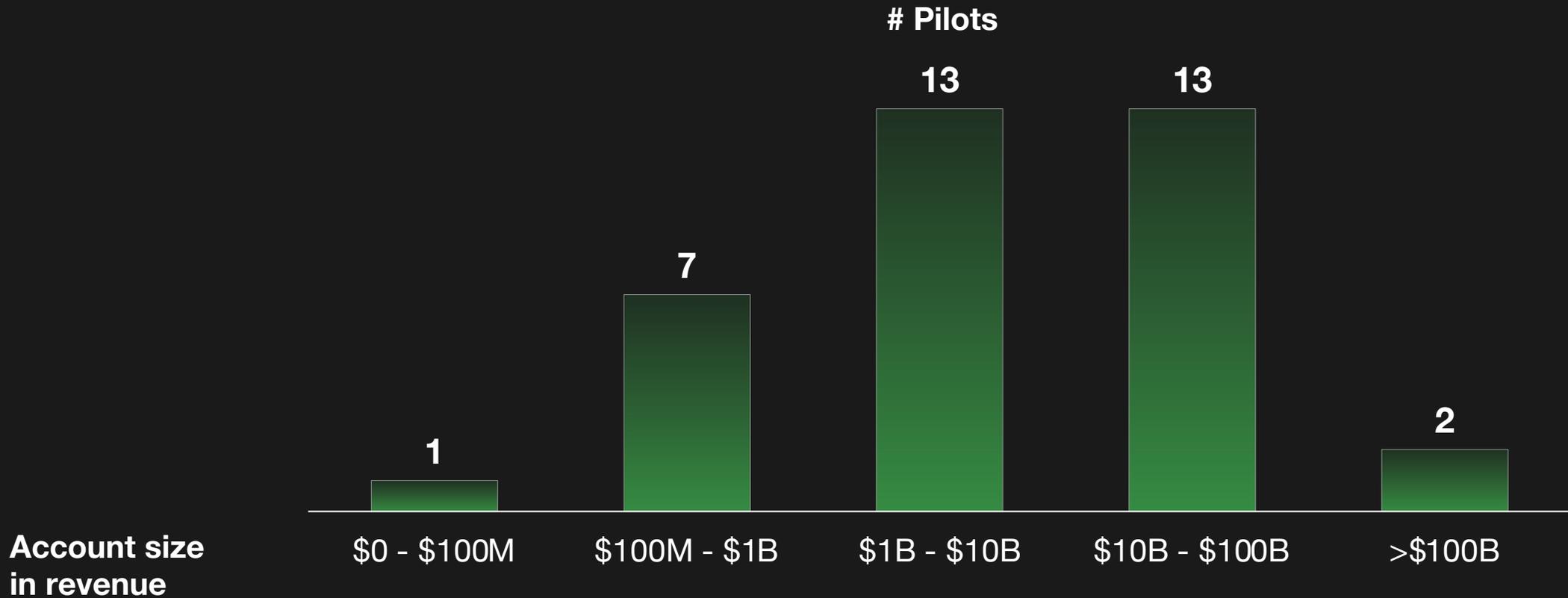
Note: Fiscal year ends April 30. Percentages are rounded for presentation purposes. % calculation is based on deal count

# Generative AI Pilots & Trials Diversity by Industry: FY25-Q2



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

# Pilot Account Profile FY25-Q2



# 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



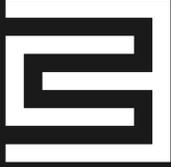
Veteran Disciplined Management Team



High-Performance Corporate Culture



Excellence in Execution

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

# Appendix

# Income Statement

	Three Months Ended							
	January 31, 2023	April 30, 2023	July 31, 2023	October 31, 2023	January 31, 2024	April 30, 2024	July 31, 2024	October 31, 2024
<b>Revenue</b>								
Subscription	\$ 57,043	\$ 56,866	\$ 61,352	\$ 66,449	\$ 70,400	\$ 79,903	\$ 73,456	\$ 81,162
Professional services	9,626	15,544	11,010	6,780	8,001	6,687	13,757	13,176
<b>Total Revenue</b>	<b>66,669</b>	<b>72,410</b>	<b>72,362</b>	<b>73,229</b>	<b>78,401</b>	<b>86,590</b>	<b>87,213</b>	<b>94,338</b>
<b>Cost of revenue</b>								
Subscription <sup>(1)(2)</sup>	21,294	23,872	30,434	30,937	32,273	34,825	33,292	35,038
Professional services <sup>(1)(2)</sup>	977	1,036	1,379	1,179	841	154	1,755	1,460
<b>Total cost of revenue</b>	<b>22,271</b>	<b>24,908</b>	<b>31,813</b>	<b>32,116</b>	<b>33,114</b>	<b>34,979</b>	<b>35,047</b>	<b>36,498</b>
<b>Gross profit</b>	<b>44,398</b>	<b>47,502</b>	<b>40,549</b>	<b>41,113</b>	<b>45,287</b>	<b>51,611</b>	<b>52,166</b>	<b>57,840</b>
<b>Operating expenses</b>								
Sales and marketing <sup>(1)(2)</sup>	43,497	51,701	43,885	49,895	57,140	63,247	52,125	55,643
Research and development <sup>(1)(2)</sup>	55,051	49,681	50,868	50,399	49,480	50,618	52,927	55,715
General and administrative <sup>(1)(2)</sup>	17,888	19,400	19,889	20,215	21,213	20,053	19,700	21,770
<b>Total operating expenses</b>	<b>116,436</b>	<b>120,782</b>	<b>114,642</b>	<b>120,509</b>	<b>127,833</b>	<b>133,918</b>	<b>124,752</b>	<b>133,128</b>
<b>Loss from operations</b>	<b>(72,038)</b>	<b>(73,280)</b>	<b>(74,093)</b>	<b>(79,396)</b>	<b>(82,546)</b>	<b>(82,307)</b>	<b>(72,586)</b>	<b>(75,288)</b>
Interest income	6,987	8,230	10,122	10,480	9,995	9,482	10,003	9,560
Other (expense) income, net	2,032	284	(239)	(638)	409	(173)	28	13
<b>Net income (loss) before provision for income taxes</b>	<b>(63,019)</b>	<b>(64,766)</b>	<b>(64,210)</b>	<b>(69,554)</b>	<b>(72,142)</b>	<b>(72,998)</b>	<b>(62,555)</b>	<b>(65,715)</b>
Provision for income taxes	143	190	148	226	489	(71)	272	257
<b>Net income (loss)</b>	<b>\$ (63,162)</b>	<b>\$ (64,956)</b>	<b>\$ (64,358)</b>	<b>\$ (69,780)</b>	<b>\$ (72,631)</b>	<b>\$ (72,927)</b>	<b>\$ (62,827)</b>	<b>\$ (65,972)</b>

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

	Three months ended							
	January 31, 2023	April 30, 2023	July 31, 2023	October 31, 2023	January 31, 2024	April 30, 2024	July 31, 2024	October 31, 2024
Cost of subscription	\$ 5,996	\$ 5,663	\$ 8,056	\$ 8,514	\$ 8,674	\$ 8,788	\$ 7,694	\$ 7,827
Cost of professional services	361	309	460	479	309	40	714	484
Sales and marketing	18,316	17,214	16,779	18,226	17,528	19,218	18,833	20,802
Research and development	23,646	17,449	17,033	16,685	18,757	19,561	18,431	17,999
General and administrative	7,512	7,433	8,552	9,265	9,715	9,122	9,011	9,926
<b>Total stock-based compensation expense</b>	<b>\$ 55,831</b>	<b>\$ 48,068</b>	<b>\$ 50,880</b>	<b>\$ 53,169</b>	<b>\$ 54,983</b>	<b>\$ 56,729</b>	<b>\$ 54,683</b>	<b>\$ 57,038</b>

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

	Three months ended							
	January 31, 2023	April 30, 2023	July 31, 2023	October 31, 2023	January 31, 2024	April 30, 2024	July 31, 2024	October 31, 2024
Cost of subscription	\$ 190	\$ 357	\$ 509	\$ 282	\$ 392	\$ 490	\$ 326	\$ 163
Cost of professional services	11	20	32	15	13	3	30	8
Sales and marketing	277	604	1,005	463	496	642	472	450
Research and development	618	576	817	415	738	869	364	231
General and administrative	79	112	137	99	134	169	80	238
<b>Total employer payroll tax expense</b>	<b>\$ 1,175</b>	<b>\$ 1,669</b>	<b>\$ 2,500</b>	<b>\$ 1,274</b>	<b>\$ 1,773</b>	<b>\$ 2,173</b>	<b>\$ 1,272</b>	<b>\$ 1,090</b>

# GAAP to Non-GAAP Reconciliation

	Three Months Ended							
	January 31, 2023	April 30, 2023	July 31, 2023	October 31, 2023	January 31, 2024	April 30, 2024	July 31, 2024	October 31, 2024
Subscription revenue	\$ 57,043	\$ 56,866	\$ 61,352	\$ 66,449	\$ 70,400	\$ 79,903	\$ 73,456	\$ 81,162
Professional services revenue	9,626	15,544	11,010	6,780	8,001	6,687	13,757	13,176
<b>Total Revenue</b>	<b>66,669</b>	<b>72,410</b>	<b>72,362</b>	<b>73,229</b>	<b>78,401</b>	<b>86,590</b>	<b>87,213</b>	<b>94,338</b>
GAAP cost of subscription revenue	21,294	23,872	30,434	30,937	32,273	34,825	33,292	35,038
Stock-based compensation	5,996	5,663	8,056	8,514	8,674	8,788	7,694	7,827
Employer payroll tax expense related to employee stock-based compensation	190	357	509	282	392	490	326	163
Non-GAAP cost of subscription revenue	15,108	17,852	21,869	22,141	23,207	25,547	25,272	27,048
GAAP cost of professional services revenue	977	1,036	1,379	1,179	841	154	1,755	1,460
Stock-based compensation	361	309	460	479	309	40	714	484
Employer payroll tax expense related to employee stock-based compensation	11	20	32	15	13	3	30	8
Non-GAAP cost of professional services revenue	605	707	887	685	519	111	1,011	968
GAAP sales and marketing expense	43,497	51,701	43,885	49,895	57,140	63,247	52,125	55,643
Stock-based compensation	18,316	17,214	16,779	18,226	17,528	19,218	18,833	20,802
Employer payroll tax expense related to employee stock-based compensation	277	604	1,005	463	496	642	472	450
Non-GAAP sales and marketing expense	24,904	33,883	26,101	31,206	39,116	43,387	32,820	34,391
GAAP research and development expense	55,051	49,681	50,868	50,399	49,480	50,618	52,927	55,715
Stock-based compensation	23,646	17,449	17,033	16,685	18,757	19,561	18,431	17,999
Employer payroll tax expense related to employee stock-based compensation	618	576	817	415	738	869	364	231
Non-GAAP research and development expense	30,787	31,656	33,018	33,299	29,985	30,188	34,132	37,485
GAAP general and administrative expense	17,888	19,400	19,889	20,215	21,213	20,053	19,700	21,770
Stock-based compensation	7,512	7,433	8,552	9,265	9,715	9,122	9,011	9,926
Employer payroll tax expense related to employee stock-based compensation	79	112	137	99	134	169	80	238
Non-GAAP general and administrative expense	10,297	11,855	11,200	10,851	11,364	10,762	10,609	11,606
Gross profit on a GAAP basis	\$ 44,398	\$ 47,502	\$ 40,549	\$ 41,113	\$ 45,287	\$ 51,611	\$ 52,166	\$ 57,840
Stock-based compensation	6,357	5,972	8,516	8,993	8,983	8,828	8,408	8,311
Employer payroll tax expense related to employee stock-based compensation	201	377	541	297	405	493	356	171
Gross profit on a non-GAAP basis	50,956	53,851	49,606	50,403	54,675	60,932	60,930	66,322
Gross margin on a GAAP basis	67 %	66 %	56 %	56 %	58 %	60 %	60 %	61 %
Gross margin on a non-GAAP basis	76 %	74 %	69 %	69 %	70 %	70 %	70 %	70 %
Loss from operations on a GAAP basis	(72,038)	(73,280)	(74,093)	(79,396)	(82,546)	(82,307)	(72,586)	(75,288)
Stock-based compensation expense	55,831	48,068	50,880	53,169	54,983	56,729	54,683	57,038
Employer payroll tax expense related to employee stock-based compensation	1,175	1,669	2,500	1,274	1,773	2,173	1,272	1,090
Loss from operations on a non-GAAP basis	\$ (15,032)	\$ (23,543)	\$ (20,713)	\$ (24,953)	\$ (25,790)	\$ (23,405)	\$ (16,631)	\$ (17,160)
Operating margin on a GAAP basis	-108 %	-101 %	-102 %	-108 %	-105 %	-95 %	-83 %	-80 %
Operating margin on a non-GAAP basis	-23 %	-33 %	-29 %	-34 %	-33 %	-27 %	-19 %	-18 %

# Free Cash Flow

	Three Months Ended October 31,		Six Months Ended October 31,	
	2024	2023	2024	2023
Net cash used in operating activities.....	\$ (38,693)	\$ (48,590)	\$ (30,651)	\$ (44,654)
Less:				
Purchases of property and equipment .....	(815)	(5,293)	(1,739)	(16,631)
Capitalized software development costs .....	—	(1,250)	—	(2,750)
Free cash flow .....	<u>\$ (39,508)</u>	<u>\$ (55,133)</u>	<u>\$ (32,390)</u>	<u>\$ (64,035)</u>
Net cash provided by (used in) investing activities .....	<u>\$ 22,635</u>	<u>\$ (11,898)</u>	<u>\$ (18,915)</u>	<u>\$ (96,698)</u>
Net cash provided by financing activities.....	<u>\$ 3,512</u>	<u>\$ 3,055</u>	<u>\$ 3,694</u>	<u>\$ 5,532</u>

