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Investor Supplemental FY23-Q4

May 31, 2023

Disclaimer

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this presentation other than statements of historical facts, including the business strategy, plans, and objectives for future operations of C3.ai, Inc. and its subsidiaries ("we," "us," or "our"), and our financial outlook, 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, 2022, October 31, 2022 and January 31, 2022, and other filings and reports we make with the Securities and Exchange Commission from time to time, including our Form 10-K that will be filed for the fiscal year ended April 30, 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.

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FY23-Q4 Highlights

Number of Agreements During the Quarter	**Attractive Margin**	**Qualified Pipeline Growth**	**cRPO[2]**	**Positive Free Cash Flow**
43	**74%**	**100%+**	**$186M**	**$16M**
YoY[1] Growth 59%	Non-GAAP gross Margin	Last 12 Months		

(1) FY23-Q4 QTD vs FY22-Q4 QTD
(2) Current RPO (cRPO) refers to the revenue expected to be recognized from remaining performance obligations over the next 12 months
(3) Percentages are rounded for presentation purposes

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FY23 Highlights

Number of Agreements During the Year	**Attractive Margin**	**Non-GAAP Operating Margin**	**Subscription Revenue**	**Bookings Driven By C3 AI Applications**
126	**77%**	**(25.5)%**	**86%**	**83%**
YoY[1] Growth 52%	Non-GAAP Gross Margin	(32)% in FY22	82% in FY22	17% Driven By C3 AI Platform

(1) FY23 vs FY22
(2) Percentages are rounded for presentation purposes

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FY23: C3 AI Partner Model Success

- Closed 126 deals during FY23, of which 71 were with partners

- Qualified enterprise opportunities targeted for closure within 12 months in our sales pipeline has increased by over 100% in the past year

- Joint qualified 12-month opportunity pipeline with Google Cloud grew from 25 opportunities at the end of FY 22 to 140 opportunities at the end of FY 23, a 460% increase

- C3 AI has grown its qualified pipeline with AWS by over 24% in Q4 FY 23 compared to Q3 FY 23, with particular focus on state and local government

- 10 new accounts in the year with Baker Hughes including ExxonMobil, ADNOC, ENI, and others
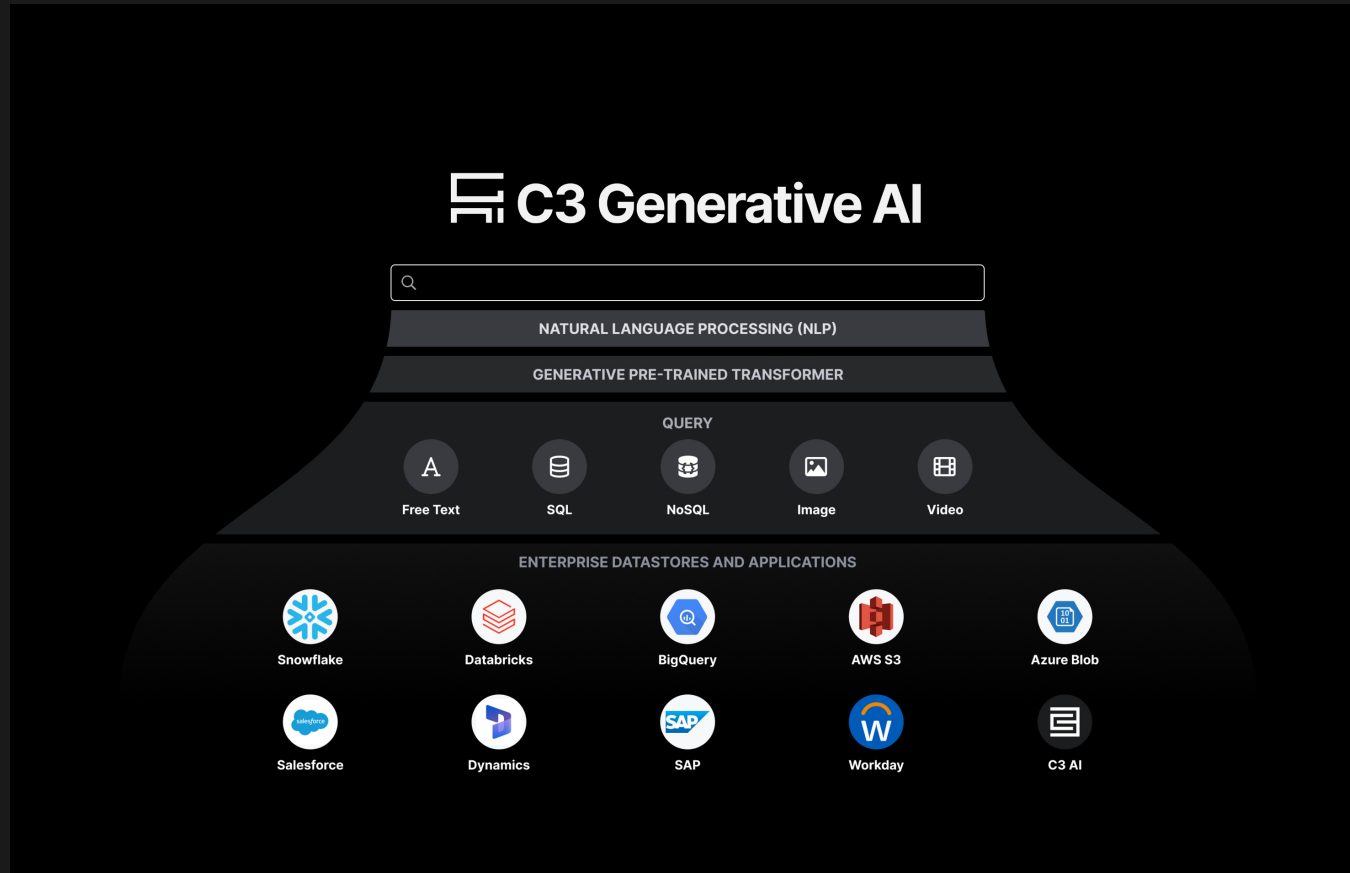
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Federal Momentum

U.S. Air Force Designates C3 AI Predictive Maintenance Solution as System of Record

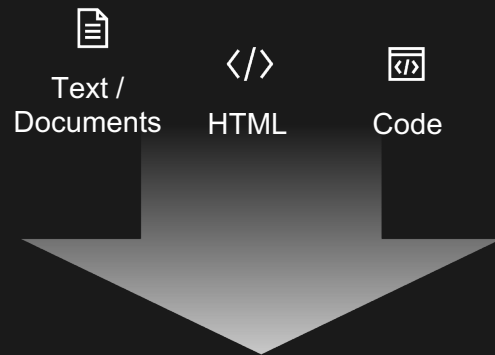# New Products and Enhancements

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Generative AI Product Suite

- The C3 Generative AI Product Suite embeds advanced transformer models with C3 AI's pre-built AI applications, accelerating a customer's ability to leverage these models across their value chains

- C3 Generative AI for Enterprise Search provides enterprise users with a transformative user experience using a natural language interface to rapidly locate, retrieve, and present all relevant data across the entire corpus of an enterprise's information systems

- The product is available as standalone suite and within all C3 AI Applications across supply chain, reliability, CRM, ESG, and others

- A demo is available at https://c3.ai/products/c3-generative-ai-product-suite/#crm-demo

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How C3 Generative AI is Unique

Standard LLM Architecture

Text / Documents   HTML   Code

- ⊗ Prone to random responses
- ⊗ Lacks traceability
- ⊗ Lacks Enterprise Access Controls
- ⊗ Risk of information leakage
- ⊗ Prone to hallucination

C3 Generative AI Architecture

Text / Documents   HTML   Code   Tables   Apps   Sensor Data   Log Files
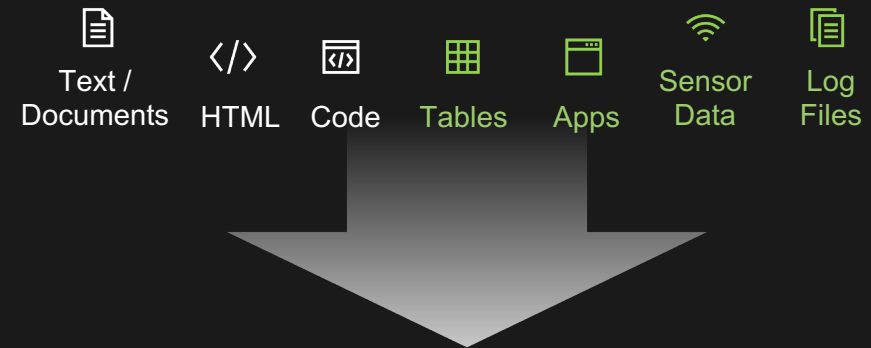
- ⊘ Deterministic responses
- ⊘ Full traceability
- ⊘ Full Enterprise Access Controls
- ⊘ No leakage of proprietary information or IP
- ⊘ No hallucination

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Guidance

	FY24-Q1	FY24
Total Revenue	$70.0 – $72.5 million	$295.0 – $320.0 million
YoY Growth %	7% – 11%	11% – 20%
Non-GAAP Loss from Operations	($25.0) – ($30.0) million	($50.0) – ($75.0) million

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Finance Update

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FY23-Q4 Summary Financial Results

	FY23-Q4
Revenue	$72.4 million
Subscription Revenue	$56.9 million
Non-GAAP Gross Profit	$53.9 million
Remaining Performance Obligations ("RPO")	$381.4 million
Non-GAAP Gross Margin	74%
Current RPO	$186.3 million
Non-GAAP net loss per share	$(0.13)
Free Cash Flow	$16.3 million
Free Cash Flow adjusted for new C3 AI HQ	$8.9 million

Note: Non-GAAP Gross Profit, Non-GAAP Gross Margin and Free cash flow and Free cash flow adjusted for new C3 AI HQ are non-GAAP financial measures. 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.

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FY23 Summary Financial Results

	FY23
Revenue	$266.8 million
Subscription Revenue	$230.4 million
Non-GAAP Gross Profit	$205.2 million
Non-GAAP Gross Margin	77%
Non-GAAP net loss per share	$(0.42)

Note: Non-GAAP Gross Profit is a non-GAAP financial measures. 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.

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Plan for Profitability – Non-GAAP Operating Margin

Current Operating Margin

-33%

FY23-Q4:
- Cost of Revenue: 26%
- Marketing: 18%
- Sales: 29%
- Research & Development: 44%
- General & Administrative: 16%

Target Op Margin

+1%

FY24-Q4 (E):
- Cost of Revenue: 23%
- Marketing: 16%
- Sales: 17%
- Research & Development: 32%
- General & Administrative: 11%

Steady State Op Margin

+20%

Steady State (E):
- Cost of Revenue: 20%
- Marketing: 10%
- Sales: 18%
- Research & Development: 24%
- General & Administrative: 8%

Legend:
- Cost of Revenue
- Marketing
- Sales
- Research & Development
- General & Administrative

Note: Non-GAAP cost of revenue, operating expenses, sales and marketing expenses, research and development expenses, and general and administrative expenses are non-GAAP financial measures. Refer to the Appendix for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures. Numbers and percentages are rounded for presentation purposes.
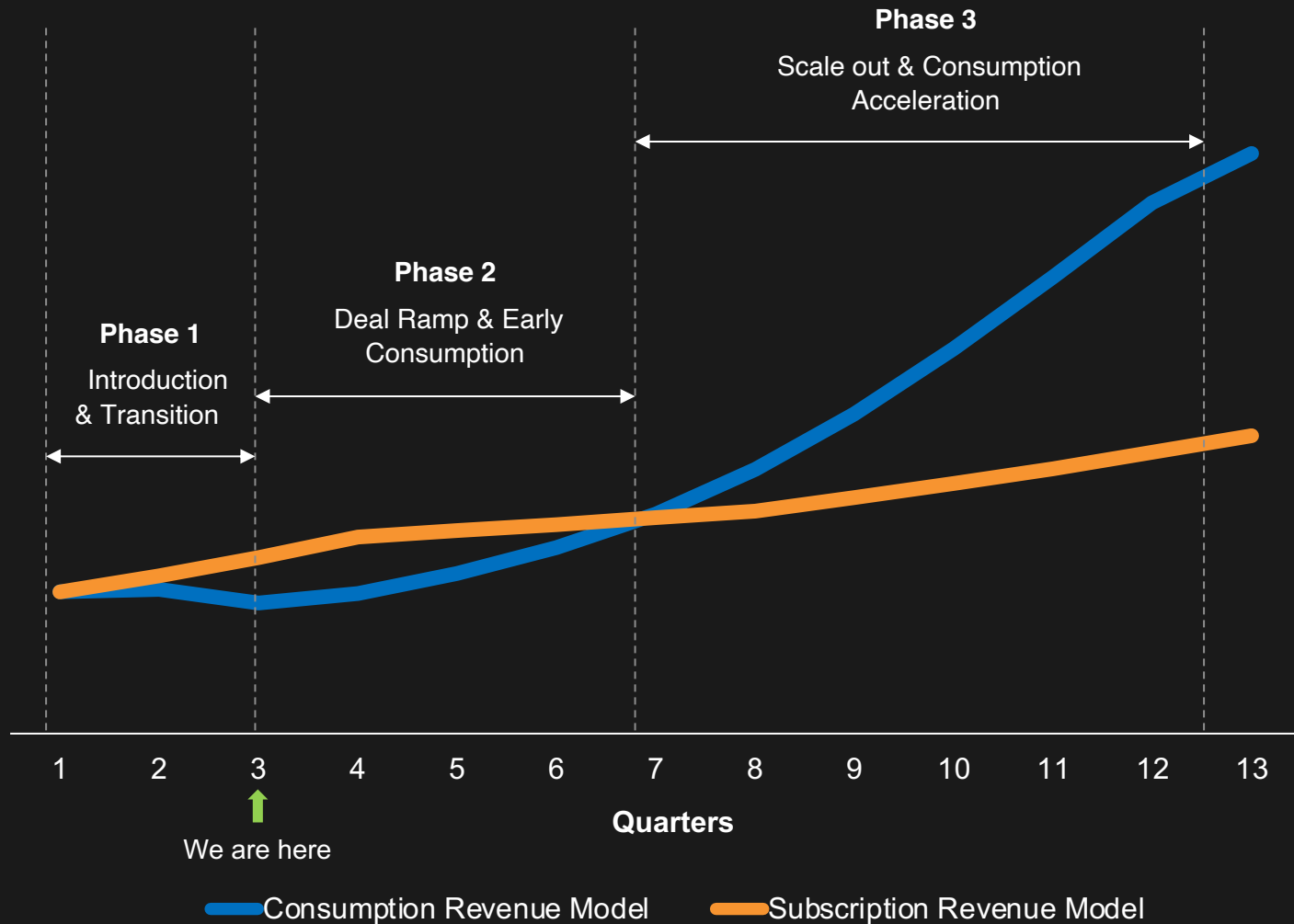
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Consumption Based Revenue Transition

Phase 3
Scale out & Consumption Acceleration

Phase 2
Deal Ramp & Early Consumption

Phase 1
Introduction & Transition

We are here

Quarters

1 2 3 4 5 6 7 8 9 10 11 12 13

— Consumption Revenue Model   — Subscription Revenue Model

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)

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Deal Bands

$ in Millions

FY22-Q4

FY23-Q4

	FY22-Q4	FY23-Q4
<$1M	18	30
$1M - $5M	6	12
$5M - $10M	1	1
$10M +	2	0
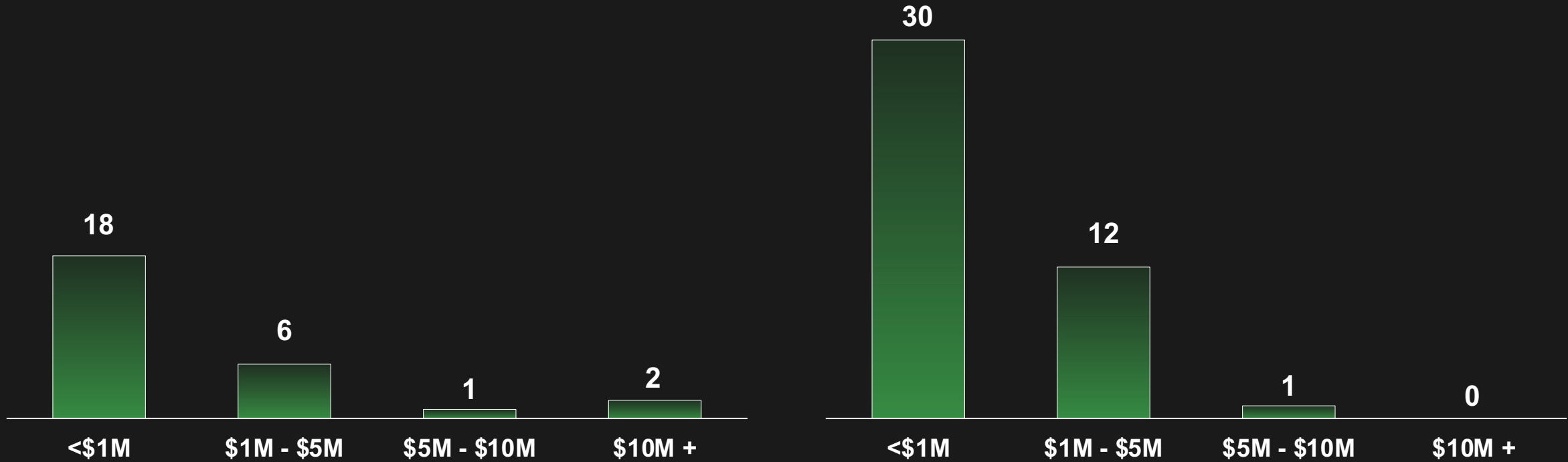
Average TCV   **$2.9 M**   **$1.2 M**

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

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Total Revenue Mix

$ in Millions

Subscription Revenue

% of Total Revenue

78%

79%

% of Total Revenue

Professional Services Revenue

22%

21%

FY22-Q4

FY23-Q4
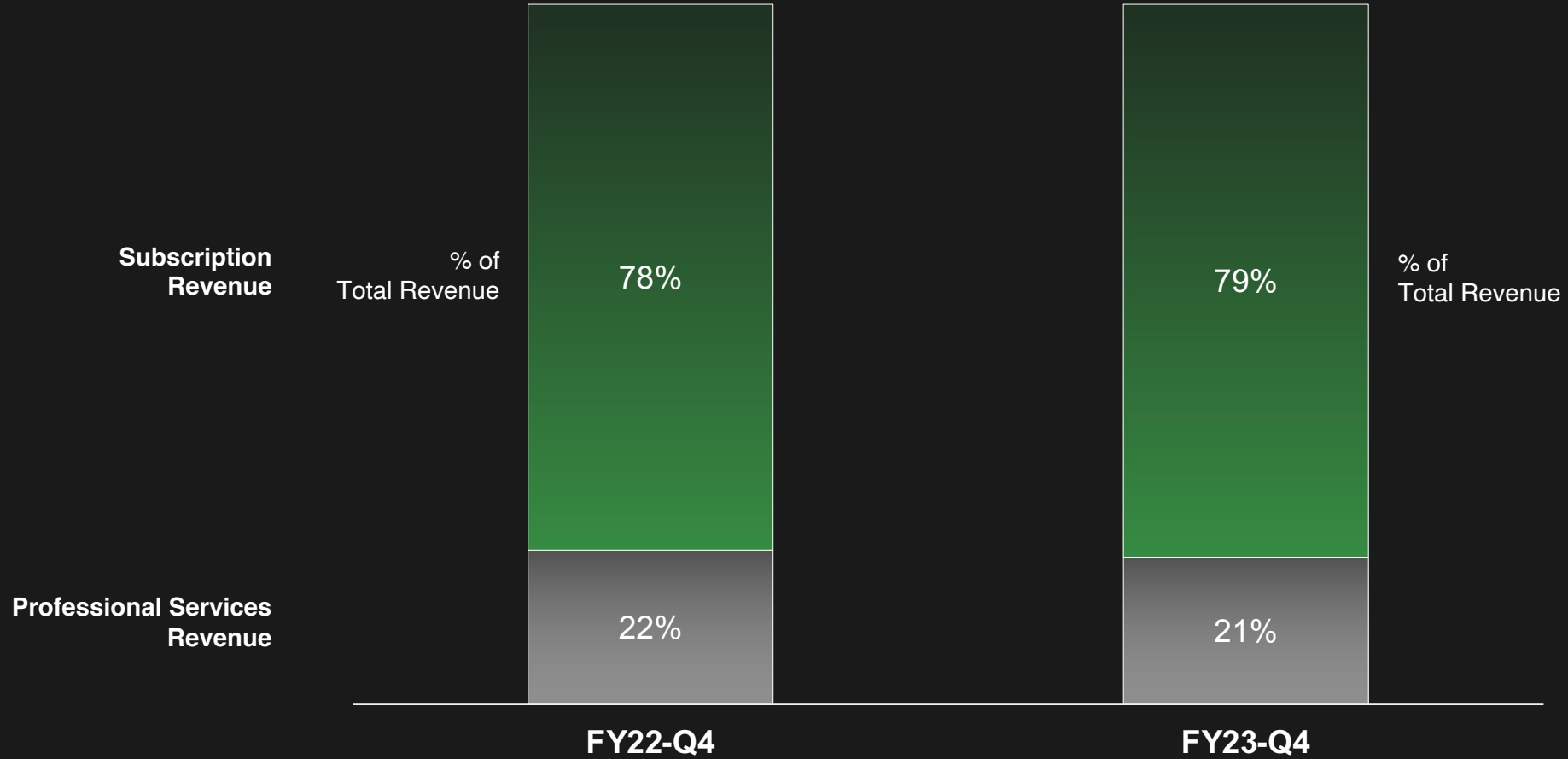
Note: Numbers and percentages are rounded for presentation purposes.

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Bookings Diversity FY23

FY23
Bookings
Driven By

C3 AI
Platform
Led
17%

AI Applications Led
83%

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Bookings Diversity by Industry FY23

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

Diversity by Industry FY23-Q4

Food Processing 6.5%

Chemicals 4.2%

Manufacturing 2.0%

Oil & Gas 13.9%

Accounting Services 0.9%

Agriculture & Forestry 0.4%

State & Local

Financial Services 0.2%

Total Bookings

Energy / Utilities 29.2%

Federal, Defense & Aerospace 42.5%

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

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Pilots & Trials Diversity by Industry FY23-Q4

Chemicals
5.3%

Energy / Utilities
5.3%

State & Local
5.3%

Financial Services
5.3%

Agriculture & Forestry
5.3%

Oil & Gas
10.5%

Pilots & Trials

Federal,
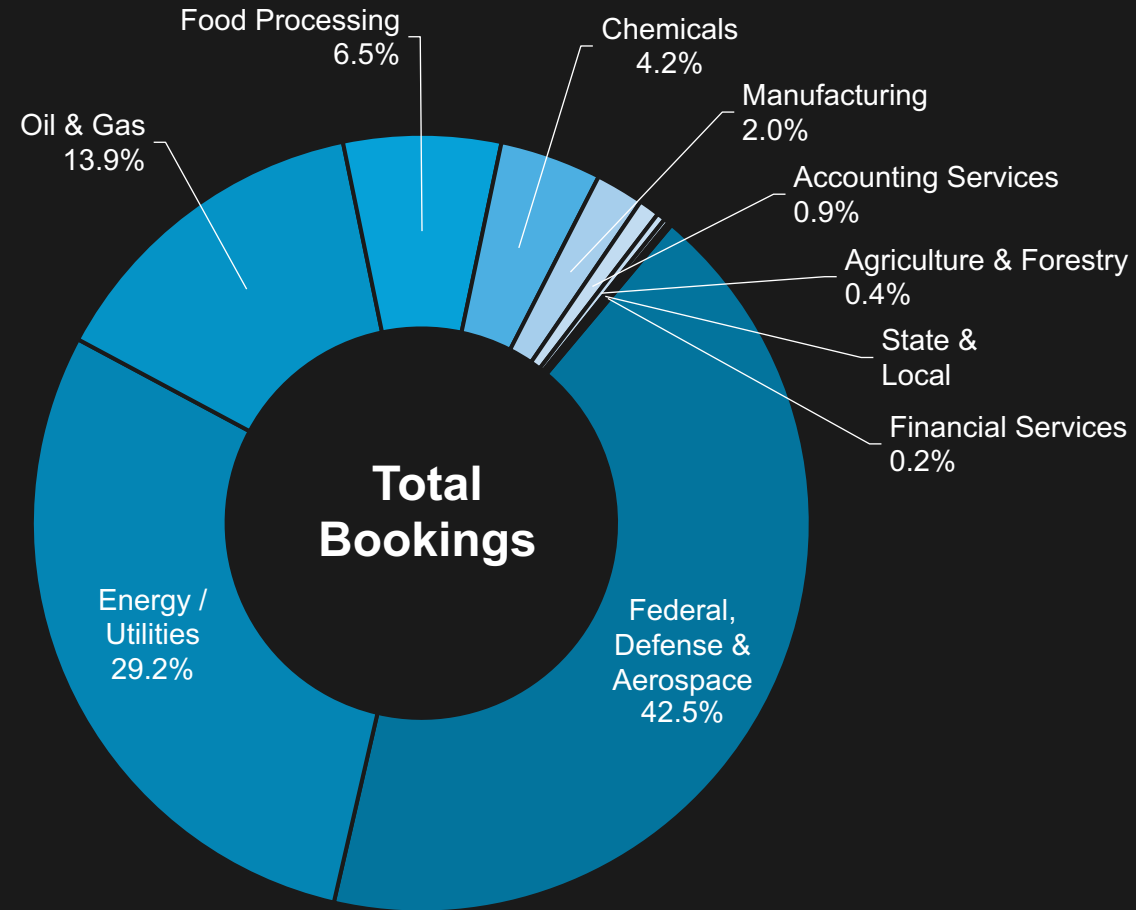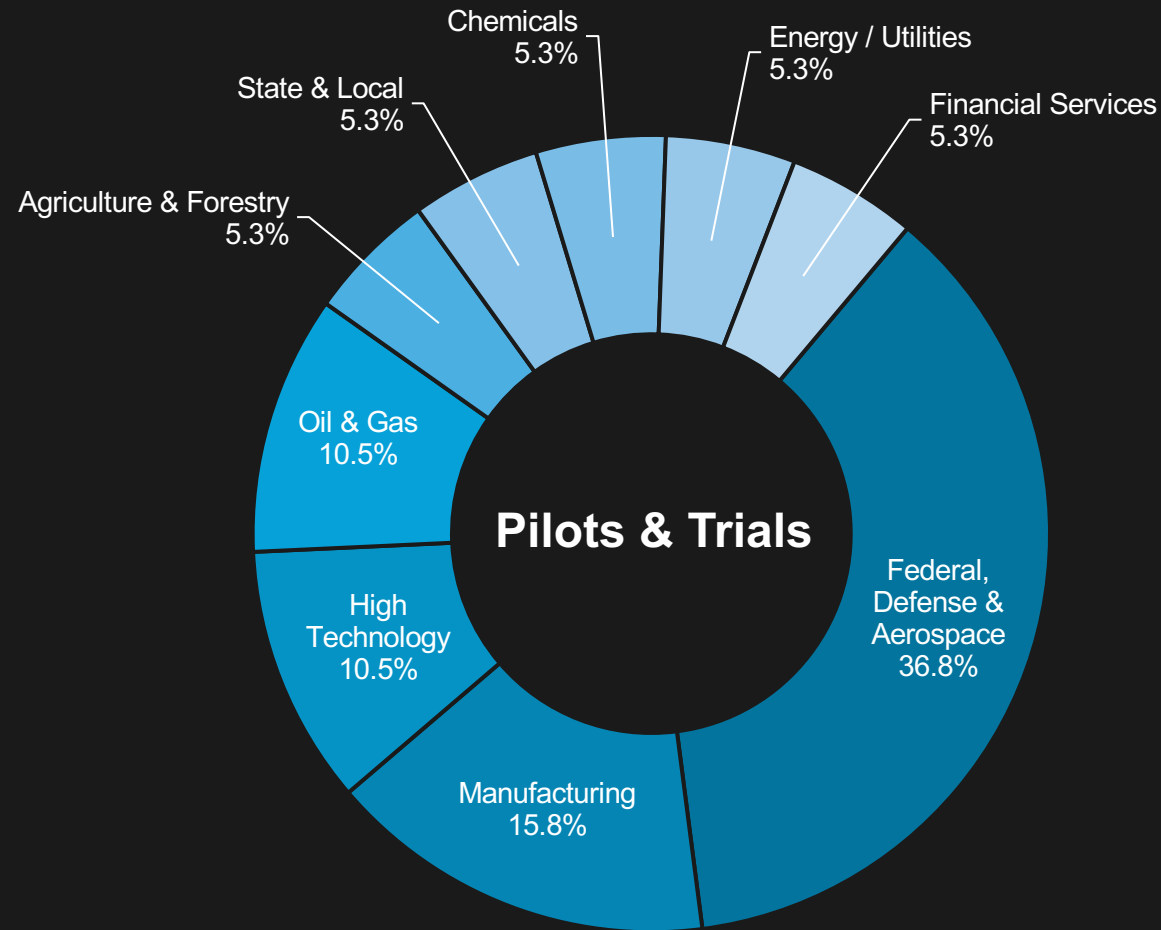Defense &
Aerospace
36.8%

High
Technology
10.5%

Manufacturing
15.8%
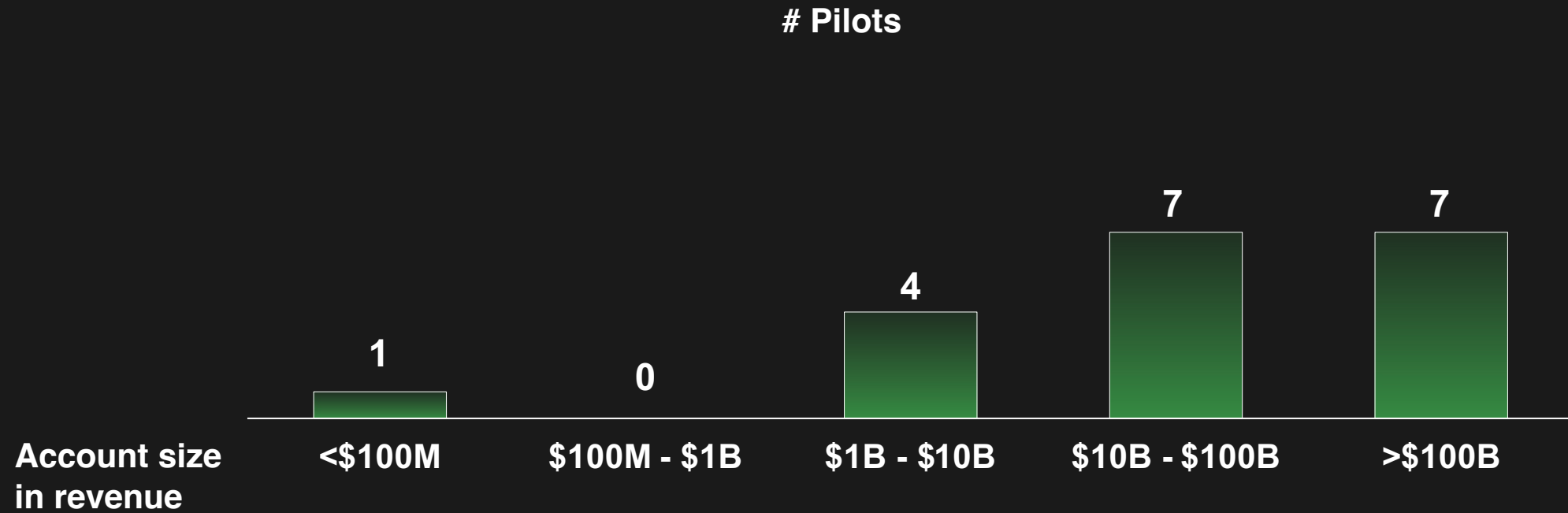
Note: Fiscal year ends April 30. Percentages are rounded for presentation purposes.. % calculation is based on deal count

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Pilot Account Profile

Pilots

Account size in revenue	<$100M	$100M - $1B	$1B - $10B	$10B - $100B	>$100B
	1	0	4	7	7

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C3 AI Investment Thesis

Huge Addressable Market of $791.5 Billion by 2026[1]

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

[1] Source: IDC Worldwide Artificial Intelligence Software Forecast, 2022

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Appendix

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Income Statement

	Three Months Ended							
	July 31, 2021	October 31, 2021	January 31, 2022	April 30, 2022	July 31, 2022	October 31, 2022	January 31, 2023	April 30, 2023
Revenue								
Subscription	$ 46,122	$ 47,408	$ 57,084	$ 56,302	$ 57,026	$ 59,508	$ 57,043	$ 56,866
Professional services	6,284	10,855	12,689	16,015	8,282	2,900	9,626	15,544
Total Revenue	52,406	58,263	69,773	72,317	65,308	62,408	66,669	72,410
Cost of revenue								
Subscription [1][2]	9,213	11,392	12,275	12,958	14,092	19,165	21,294	23,872
Professional services [1][2]	3,812	4,579	5,079	4,405	4,314	1,587	977	1,036
Total cost of revenue	13,025	15,971	17,354	17,363	18,406	20,752	22,271	24,908
Gross profit	39,381	42,292	52,419	54,954	46,902	41,656	44,398	47,502
Operating expenses								
Sales and marketing [1][2]	36,822	46,166	43,146	47,450	42,987	44,936	43,497	51,701
Research and development [1][2]	26,712	36,523	40,931	46,378	55,877	50,051	55,051	49,681
General and administrative [1][2]	12,364	15,279	15,748	17,649	21,247	18,635	17,888	19,400
Total operating expenses	75,898	97,968	99,825	111,477	120,111	113,622	116,436	120,782
Loss from operations	(36,517)	(55,676)	(47,406)	(56,523)	(73,209)	(71,966)	(72,038)	(73,280)
Interest income	345	322	410	750	2,538	4,224	6,987	8,230
Other (expense) income, net	(899)	(1,372)	7,742	(2,452)	(1,021)	(945)	2,032	284
Net income (loss) before provision for income taxes	(37,071)	(56,726)	(39,254)	(58,225)	(71,692)	(68,687)	(63,019)	(64,766)
Provision for income taxes	388	13	193	195	179	163	143	190
Net income (loss)	$ (37,459)	$ (56,739)	$ (39,447)	$ (58,420)	$ (71,871)	$ (68,850)	$ (63,162)	$ (64,956)

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

	Three months ended							
	July 31, 2021	October 31, 2021	January 31, 2022	April 30, 2022	July 31, 2022	October 31, 2022	January 31, 2023	April 30, 2023
Cost of subscription	$ 821	$ 2,364	$ 2,639	$ 2,814	$ 4,272	$ 5,486	$ 5,996	$ 5,663
Cost of professional services	602	685	704	719	1,071	479	361	309
Sales and marketing	6,135	13,555	8,850	11,804	16,779	19,080	18,316	17,214
Research and development	2,758	10,256	12,846	13,340	25,217	23,905	23,646	17,449
General and administrative	3,596	5,680	6,322	6,951	9,291	7,063	7,512	7,433
Total stock-based compensation expense	$ 13,912	$ 32,540	$ 31,361	$ 35,628	$ 56,630	$ 56,013	$ 55,831	$ 48,068

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

	Three months ended							
	July 31, 2021	October 31, 2021	January 31, 2022	April 30, 2022	July 31, 2022	October 31, 2022	January 31, 2023	April 30, 2023
Cost of subscription	$ —	$ —	$ 7	$ 35	$ 286	$ 170	$ 190	$ 357
Cost of professional services	65	—	1	6	100	16	11	20
Sales and marketing	301	215	202	42	530	356	277	604
Research and development	182	217	38	72	943	386	618	576
General and administrative	307	151	108	23	183	63	79	112
Total employer payroll tax expense	$ 855	$ 583	$ 356	$ 178	$ 2042	$ 991	$ 1175	$ 1669

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GAAP to Non-GAAP Reconciliations

	July 31, 2021	October 31, 2021	January 31, 2022	April 30, 2022	July 31, 2022	October 31, 2022	January 31, 2023	April 30, 2023
				Three Months Ended				
Subscription revenue	$ 46,122	$ 47,408	$ 57,084	$ 56,302	$ 57,026	$ 59,508	$ 57,043	$ 56,866
Professional services revenue	6,284	10,855	12,689	16,015	8,282	2,900	9,626	15,544
Total Revenue	52,406	58,263	69,773	72,317	65,308	62,408	66,669	72,410
GAAP cost of subscription revenue	9,213	11,392	12,275	12,958	14,092	19,165	21,294	23,872
Stock-based compensation	821	2,364	2,639	2,814	4,272	5,486	5,996	5,663
Employer payroll tax expense related to employee stock-based compensation	—	—	7	35	286	170	190	357
Non-GAAP cost of subscription revenue	8,392	9,028	9,629	10,109	9,534	13,509	15,108	17,852
GAAP cost of professional services revenue	3,812	4,579	5,079	4,405	4,314	1,587	977	1,036
Stock-based compensation	602	685	704	719	1,071	479	361	309
Employer payroll tax expense related to employee stock-based compensation	65	—	1	6	100	16	11	20
Non-GAAP cost of professional services revenue	3,145	3,894	4,374	3,680	3,143	1,092	605	707
GAAP sales and marketing expense	36,822	46,166	43,146	47,450	42,987	44,936	43,497	51,701
Stock-based compensation	6,135	13,555	8,850	11,804	16,779	19,080	18,316	17,214
Employer payroll tax expense related to employee stock-based compensation	301	215	202	42	530	356	277	604
Non-GAAP sales and marketing expense	30,386	32,396	34,094	35,604	25,678	25,500	24,904	33,883
GAAP research and development expense	26,712	36,523	40,931	46,378	55,877	50,051	55,051	49,681
Stock-based compensation	2,758	10,256	12,846	13,340	25,217	23,905	23,646	17,449
Employer payroll tax expense related to employee stock-based compensation	182	217	38	72	943	386	618	576
Non-GAAP research and development expense	23,772	26,050	28,047	32,966	29,717	25,760	30,787	31,656
GAAP general and administrative expense	12,364	15,279	15,748	17,649	21,247	18,635	17,888	19,400
Stock-based compensation	3,596	5,680	6,322	6,951	9,291	7,063	7,512	7,433
Employer payroll tax expense related to employee stock-based compensation	307	151	108	23	183	63	79	112
Non-GAAP general and administrative expense	8,461	9,448	9,318	10,675	11,773	11,509	10,297	11,855
Gross profit on a GAAP basis	$ 39,381	$ 42,292	$ 52,419	$ 54,954	$ 46,902	$ 41,656	$ 44,398	$ 47,502
Stock-based compensation	1,423	3,049	3,343	3,533	5,343	5,965	6,357	5,972
Employer payroll tax expense related to employee stock-based compensation	65	—	8	41	386	186	201	377
Gross profit on a non-GAAP basis	40,869	45,341	55,770	58,528	52,631	47,807	50,956	53,851
Gross margin on a GAAP basis	75 %	73 %	75 %	76 %	72 %	67 %	67 %	66 %
Gross margin on a non-GAAP basis	78 %	78 %	80 %	81 %	81 %	77 %	76 %	74 %
Loss from operations on a GAAP basis	(36,517)	(55,676)	(47,406)	(56,523)	(73,209)	(71,966)	(72,038)	(73,280)
Stock-based compensation expense	13,912	32,540	31,361	35,628	56,630	56,013	55,831	48,068
Employer payroll tax expense related to employee stock-based compensation	855	583	356	178	2,042	991	1,175	1,669
Loss from operations on a non-GAAP basis	$ (21,750)	$ (22,553)	$ (15,689)	$ (20,717)	$ (14,537)	$ (14,962)	$ (15,032)	$ (23,543)
Operating margin on a GAAP basis	-70 %	-96 %	-68 %	-78 %	-112 %	-115 %	-108 %	-101 %
Operating margin on a non-GAAP basis	-42 %	-39 %	-22 %	-29 %	-22 %	-24 %	-23 %	-33 %
RPO	$ 290,613	$ 465,526	$ 469,276	$ 477,421	$ 458,209	$ 417,320	$ 403,159	$ 381,437
Cancellable amount of contract value	66,638	63,766	67,454	39,396	38,626	36,229	33,171	40,247
Non-GAAP RPO	$ 357,251	$ 529,292	$ 536,730	$ 516,817	$ 496,835	$ 453,549	$ 436,330	$ 421,684

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Customer Engagement Summary

➢ C3 AI serves a diverse range of customers across various segments with a wide variety of products and services that have distinct pricing models.

➢ Customer count is therefore extremely complicated and not an accurate indicator of market acceptance of C3 AI products.

➢ C3 AI retained external consultants to recommend a best-practice customer count methodology.

➢ New methodology defines "Customer Engagement" as:
  ➢ For products and services including paid trials, one time, subscription, and professional service offerings we include the count of unique contacting customers by C3.ai SKU that generate revenue in period.
  ➢ For products that are priced based on the unique assets to which the customer is applying our solutions, we count distinct production applications by customer
  ➢ For resellers and Federal, we count the number of reseller end customers and the number of Federal departments.

➢ Year end customer engagement was 287, up from 212 last year.

	1Q23	2Q23	3Q23	4Q23
Revised Calculation	223	223	247	287

Based on the prior calculation methodology, our historical Customer count is as follows:

	1Q23	2Q23	3Q23	4Q23
Prior Calculation	228	236	236	244

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Summary

Our customer composition is diverse and includes various customer segments with different purchasing decisions and pricing models. We offer a wide range of products and services, which results in a complex sales tapestry.

The company has historically provided a quarterly customer count estimate as a proxy for showcasing the adoption and acceptance of our products and solutions. However, due to the complexity of our contractual and pricing structures and the involvement of resellers, we believe comparing customer counts from quarter-to-quarter based on our current methodology lacks meaningful insights. To address this, we retained an external consulting firm to update our current customer count methodology consistent with best practices to be consistent and auditable.

Narrative

Over the course of our Company's history, we have continued to innovate our product offering, expand our market reach, and evolve our business model to better serve our ever-growing customers' needs and use cases. Today, our relationships with customers take a myriad of different forms, ranging from $25 licenses of our Ex Machina-product to individual data scientists, to enterprise level limited time trials and pilots, to multi-million-dollar long- term enterprise-wide agreements for C3 AI applications and/or the C3 AI platform. Furthermore, the number of individual departments and divisions within our customer base using our applications and/or applications they have built on our platform has also expanded. The move to our new consumption-based pricing model, while being the right model for our business evolution, adds yet another permutation to our customer relations. While the bulk of our new business volume consists of trials followed by consumption-based pricing, we still employ our historic pricing models especially as it relates to expansions of existing agreements and renewals. To add to the above, we also have strong reseller relationships, who sell our solutions to their end customers.

While this may seem inordinately complex, it is in fact appropriately complex. This speaks to our agility to work with customers and provide them with value-add products and solutions through contractual agreements and pricing arrangements most convenient to them, while also enabling profitability and growth for C3 AI.

Over time, we have done our best to provide a quarterly customer count as a proxy to highlight the adoption and acceptance of our products and services by customers.

That being said, there is so much variety in the C3 AI sales tapestry, the types of customers, the broad range of products and solutions, the disparity in contract terms, our relations with resellers, and the range of prices, that, to add them together into numbers that are meaningful to compare from one quarter to the next does not fully articulate the. depth and breadth of the use cases and the value-add our products and solutions provide.

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Customer Engagement and Count (2 of 2)

To help us better articulate the growth in our customer base and use cases, we retained external consultants to recommend a best-practice methodology that is consistent and auditable. As a result of that recommendation, we have decided to change our definition to better reflect the number and level of activity by our customers, which we define as "Customer Engagement" :

1) For products and services including paid trials, one time, subscription, and professional service offerings we include the count of unique contacting customers by C3.ai SKU that generate revenue in period.

2) For products that are priced based on the unique assets to which the customer is applying our solutions, we count distinct production applications by customer

3) For resellers and Federal, we count the number of reseller end customers and the number of Federal departments.

Based on the new approach, our best estimate of Customer Engagement is as follows:

	1Q23	2Q23	3Q23	4Q23
Revised Calculation	223	223	247	287

Based on the prior calculation methodology, our historical Customer count is as follows:

	1Q23	2Q23	3Q23	4Q23
Prior Calculation	228	236	236	244

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Current RPO and BH related RPO

➢ Revenue expected to be recognized from remaining performance obligations was approximately $381.4 million as of April 30, 2023 of which $186.3 million is expected to be recognized over the next 12 months and the remainder thereafter.

➢ Our RPO related to Baker Hughes, which includes both direct subscriptions and reseller arrangements, is $162.2 million.

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