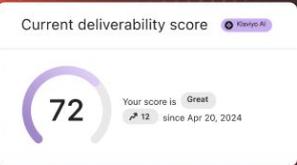


SMS transactional Subscribed



Complete the look

For long days at the beach, complete your look with our new Ventura Sunglasses.

[Shop now](#)

A B
Average order value
\$45
Clicked email
No

Customer details

Jake Cohen Klaviyo AI
jake@cohen.com

Activity log

◆ All events
Last 7 days

- Resolved ticket**
July 10, 2024 at 1:44pm EDT
- Opened ticket**
July 9th, 2024 at 10:33am EDT
- Placed order**
July 6th, 2024 at 9:20am EDT
- Clicked email**
July 6, 2024 at 9:00am EDT
- Received email**
July 5, 2024 at 1:30pm EDT

Attribution windows

<input checked="" type="checkbox"/> Opened email	7	↑ ↓	Days	▼
<input checked="" type="checkbox"/> Clicked SMS	1	↑ ↓	Days	▼

Klaviyo Financial Results

Q3 2024

Forward-Looking Statements and Disclaimer

This presentation includes certain “forward-looking statements” within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended. Other than statements of historical facts, all statements contained in this presentation and accompanying oral commentary, including, but not limited to, statements about Klaviyo’s outlook for the fourth quarter of fiscal year 2024 and the full fiscal year ending December 31, 2024, and Klaviyo’s expectations regarding possible or assumed business strategies, potential growth and innovation opportunities, new products, potential market opportunities, and other similar matters, are forward-looking statements. Words such as “aim,” “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “future,” “going to,” “guidance,” “intend,” “keep,” “may,” “opportunity,” “outlook,” “plan,” “potential,” “predict,” “project,” “shall,” “should,” “strategy,” “target,” “will,” “would,” or words of similar meaning or similar references to future periods may identify these forward-looking statements, although not all forward-looking statements contain these identifying words.

Forward-looking statements reflect management’s beliefs, expectations and assumptions about future events as of the date hereof, which are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. These risks include, among others, the following: our ability to achieve future growth and sustain our growth rate; our ability to successfully execute our business and growth strategy, such as the success of our investment in our key growth initiatives and our ability to recognize effective areas for growth; our ability to successfully integrate with third-party platforms; our relationships with third parties, such as our marketing agency and technology partners; unfavorable conditions in our industry; our ability to attract new customers, including mid-market and enterprise customers, retain revenue from existing customers and increase sales from both new and existing customers; success of our marketing and sales strategies; costs and expenses associated with being a public company; as well as other risks and uncertainties set forth under the caption “Risk Factors” and elsewhere in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, as filed with the Securities and Exchange Commission (the “SEC”), and the other filings and reports we make with the SEC from time to time, which may be obtained on our Investor Relations website at <https://investors.klaviyo.com> and on the SEC website at www.sec.gov. Moreover, we operate in a very competitive and rapidly changing environment, and new risks may emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor(s) may cause actual results or outcomes to differ materially from those contained in any forward-looking statements we may make. In light of the risks, uncertainties, assumptions, and other factors, the future events and trends discussed in this presentation may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Therefore, you should not rely on any of the forward-looking statements. Any forward-looking statement made by us in this presentation is based only on information currently available to us and speaks only as of the date on which it is made. Other than as required by law, we assume no obligation to update any written or oral forward-looking statements contained in this presentation or made in connection therewith in the event of new information, future developments or otherwise.

This presentation may contain statistical data, estimates and forecasts that are based on independent industry publications or other publicly available information. We have not independently verified the accuracy or completeness of the information contained in these industry publications and other publicly available information, and usage of the information does not mean or imply that we have adopted the information as our own or independently verified its accuracy. Accordingly, we make no representations as to the accuracy or completeness of the information nor do we undertake to update the information after the date of this presentation.

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Numbers in this presentation are rounded for presentation purposes. Some of the numbers in this presentation may not tie due to rounding.

Statement Regarding Use of Non-GAAP Financial Measures

In addition to financial measures prepared in accordance with generally accepted accounting principles in the United States (GAAP), this presentation and accompanying oral commentary contain non-GAAP financial measures, including non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating income, non-GAAP operating expenses, non-GAAP operating margin, free cash flow, and free cash flow margin. The non-GAAP financial information is presented for supplemental informational purposes only and is not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with GAAP. Please see the Appendix for reconciliations of these non-GAAP financial measures to their nearest GAAP equivalents.

Our non-GAAP gross profit, non-GAAP operating income, and non-GAAP operating expenses exclude significant expenses and income that are required by GAAP to be recorded in our consolidated financial statements, including, but not limited to, (i) amortization of prepaid marketing expenses, (ii) stock-based compensation and related employer payroll taxes, and (iii) restructuring expenses. Our non-GAAP gross margin is calculated as non-GAAP gross profit divided by total revenue. Our non-GAAP operating margin is calculated as non-GAAP operating income divided by total revenue. Free cash flow is defined as cash and cash equivalents provided by or used in operating activities less purchases of property and equipment and capitalization of software development costs. Free cash flow margin is a non-GAAP financial measure that is calculated as free cash flow divided by total revenue.

Stock-based compensation expense includes the net effects of capitalization and amortization of stock-based compensation expense related to capitalized software. Stock-based compensation expense has been, and will continue to be for the foreseeable future, a significant recurring expense in our business and an important part of the compensation provided to our employees. Because of varying available valuation methodologies, subjective assumptions, and the variety of equity instruments that can impact a company's non-cash expenses, we believe that providing non-GAAP financial measures that exclude stock-based compensation expense allows for meaningful comparisons between our operating results from period to period. When evaluating the performance of its business and making operating plans, Klaviyo does not consider these items (for example, when considering the impact of equity award grants, the company places a greater emphasis on the amount of overall stockholder dilution than the accounting charges associated with such grants). The amount of employer payroll tax-related items on employee stock transactions is dependent on restricted stock unit settlements, option exercises, related stock price, and other factors that are beyond Klaviyo's control and that do not correlate to the operation of the business. The amount of employer payroll tax-related items on employee stock transactions was immaterial prior to being publicly listed. The expense related to amortization of prepaid marketing expense of warrants issued to Shopify is dependent upon estimates and assumptions; therefore, Klaviyo believes non-GAAP measures that adjust for the amortization of prepaid marketing expense provide investors a consistent basis for comparison across accounting periods. Klaviyo believes that the economic impact of the partnership is best measured in the form of stockholder dilution and as such have provided a reconciliation that shows the full dilutive impact of all outstanding equity instruments. Overall, Klaviyo believes it is useful to exclude these expenses in order to better understand the long-term performance of its core business and to facilitate comparison of its results period-over-period and to those of peer companies. All of these non-GAAP financial measures are important tools for financial and operational decision-making and for evaluating Klaviyo's own operating results over different periods of time.

We believe that all these non-GAAP financial measures provide useful information about our financial performance, enhance the overall understanding of our past performance and future prospects and allow for greater transparency with respect to decision making by our management, who use these measures as important tools for financial and operational decision-making and for evaluating Klaviyo's own operating results over different periods of time.

Investors are cautioned that there are material limitations associated with the use of non-GAAP financial measures versus their nearest GAAP equivalents. Other companies may calculate non-GAAP financial measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures as tools for comparison. Further, stock-based compensation expense has been, and will continue to be for the foreseeable future, a significant recurring expense in Klaviyo's business and an important part of the compensation provided to attract and retain its employees to create long-term incentive alignment with stockholders.

Klaviyo powers smarter digital relationships



Activate

data in real-time to better target, personalize, and measure all interactions



Connect

with customers through a seamless email, SMS, mobile push, and reviews experience



Guide

marketing with built-in AI, automations, predictive analytics, and benchmarks



Grow

audience, customer lifetime value, and total revenue

Klaviyo at a glance¹

\$869M

Revenue

110%

Dollar-Based Net Revenue Retention Rate^{2,4}

32%

EMEA and APAC Revenue

15%

Free Cash Flow Margin³

35%

Revenue Growth

157,000+

Total Customers^{2,4}

2,619

Customers Generating Over \$50K ARR^{2,4}
54% YoY Growth

13%

Non-GAAP Operating Margin³

¹ All metrics for trailing twelve months (TTM) ended September 30, 2024, unless otherwise noted.

² See Appendix for definitions of Dollar-Based Net Revenue Retention Rate, Customers, and Customers Generating Over \$50,000 of ARR.

³ See Appendix for Non-GAAP reconciliation.

⁴ As of September 30, 2024

Large and growing customer base¹

157,000+

Total Customers

2,619

Customers > \$50K ARR

Lulus

rag & bone
NEW YORK

M.M. LAFLEUR

SPOT & TANGO

DAVIDsTEA



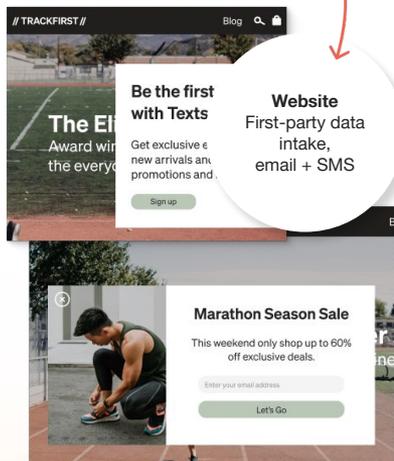
pressed 

PASSIONATA

Businesses need to deliver **highly personalized** experiences to **drive revenue growth**

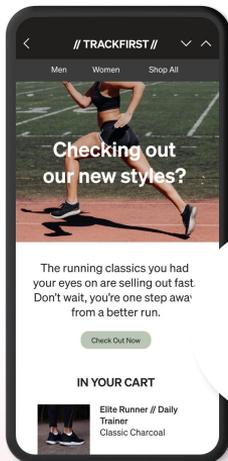
01 Initial connection

Collect first-party data to connect with interested consumers directly



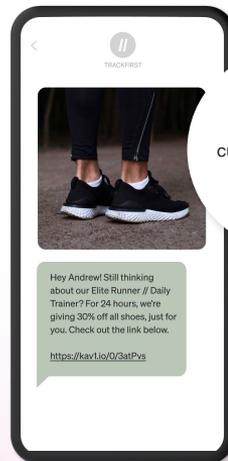
02 Revenue-driving engagement

Connect with consumers—not just to engage—to drive revenue



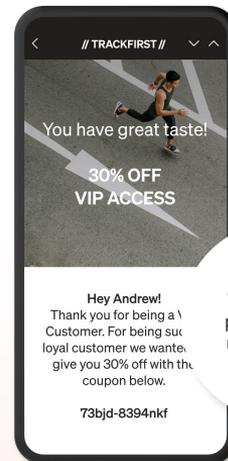
03 Real-time engagement

Predictive analytics advise SMS as the best channel to maximize rapid engagement



04 Ongoing engagement

Predictive analytics create personalized emails for ongoing promotions, driving ROI and attractive LTV



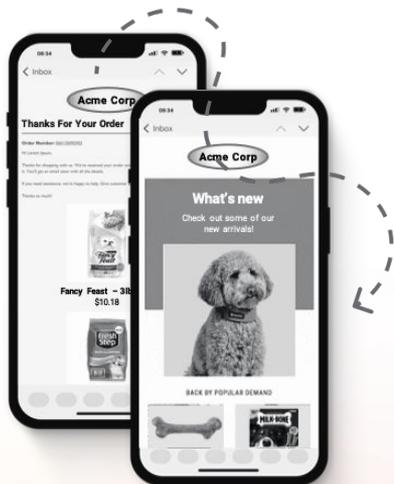
05 Personalization across channels

Integrated approach results in consistent, personalized experience across channels, including multi-channel on-ramp to customer-owned properties

Delivering impactful consumer experiences is challenging

X Wrong product

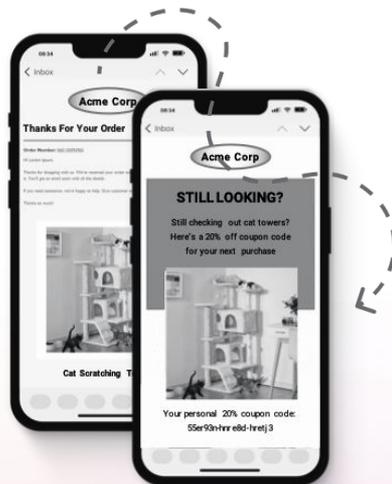
Messages are impersonal and disconnected from consumer interests and preferences



After purchasing cat food and kitty litter, consumer receives an email featuring products for dogs

X Lack of context

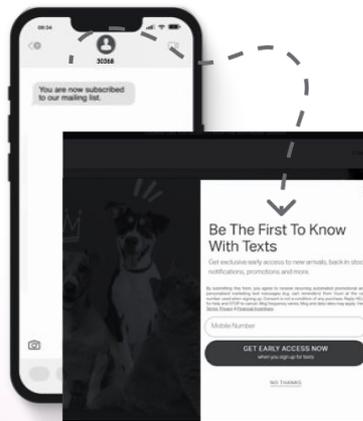
Without real-time event data, inappropriate messages are sent



After purchasing a cat tower, consumer receives an abandoned cart email with a coupon code

X Fractured experience

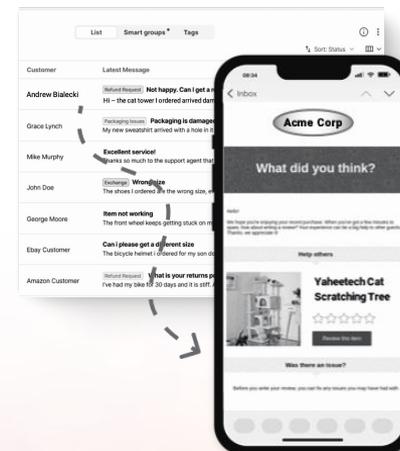
Disjointed consumer experience across channels and other customer-owned properties



After already subscribing, consumer receives prompt to provide personal information and sign up for SMS messaging

X Counterproductive

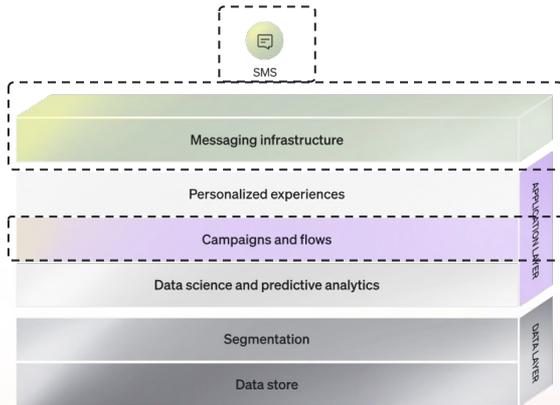
Lack of context results in suboptimal experiences



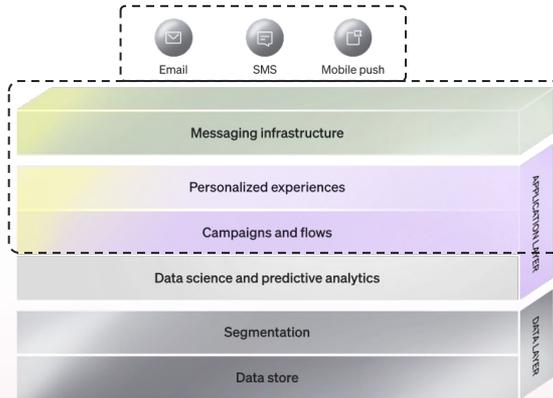
Consumer has submitted a refund request for a product but is served a request for a review email

Other solutions do not have the **full stack** to unlock all the **capabilities required** by creators

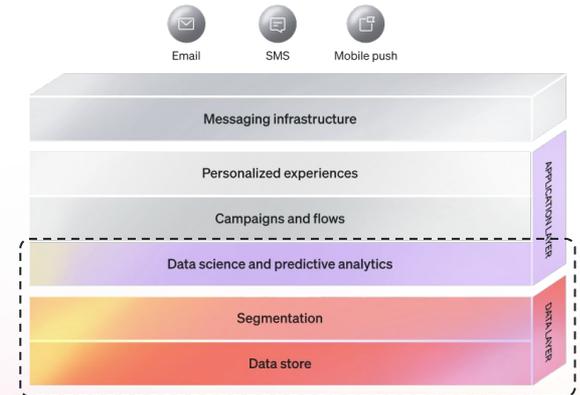
Single channel solutions



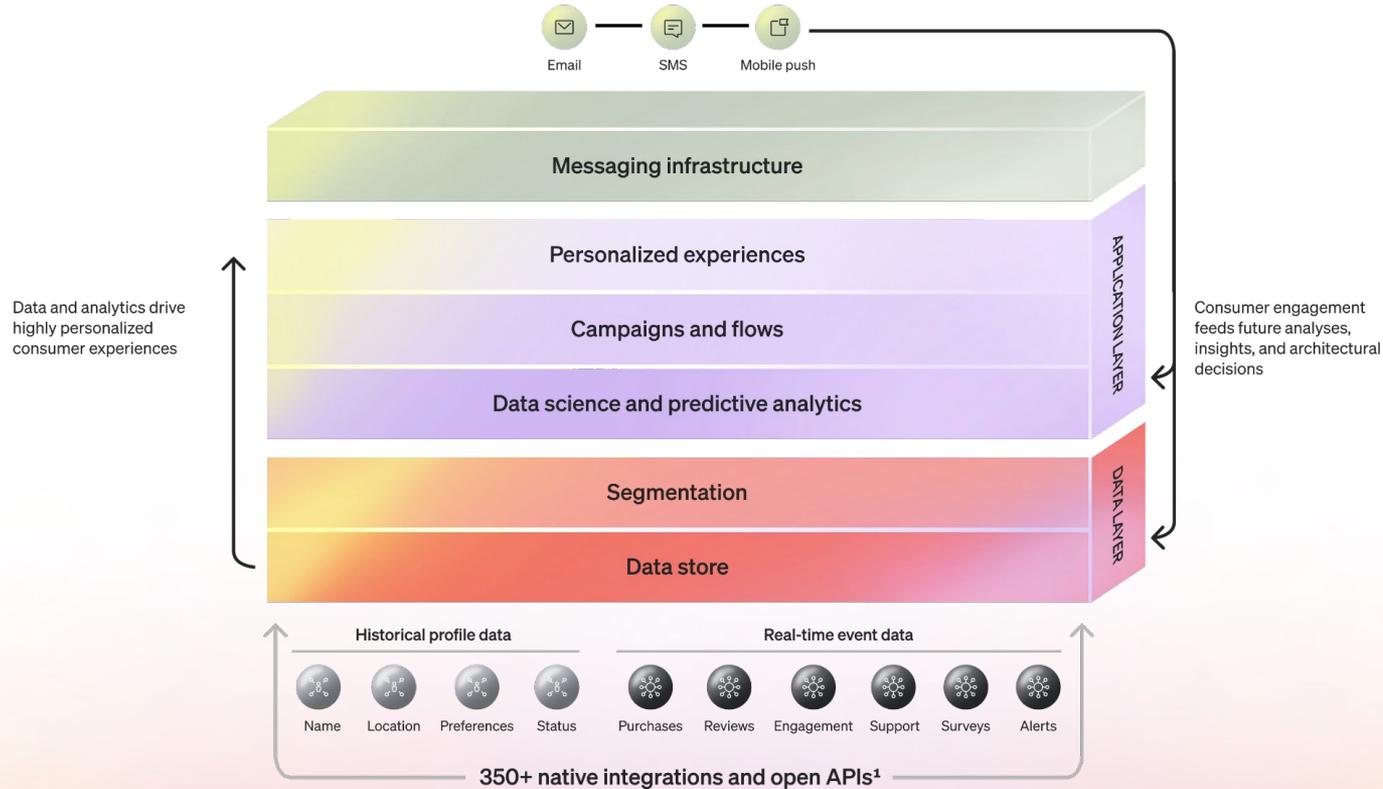
Marketing solution providers



Cloud data warehouses and operational databases



Our **vertically-integrated** platform **unifies data and application** layers



¹ As of September 30, 2024

Key benefits of our vertically-integrated platform

Ease of use

+

Advanced capabilities



Rapid implementation
with **clear attributable value**
to drive high ROI



Easy-to-use
regardless of
technical skill
level



Coordinated engagement
across channels



Real-time action to reach
consumers



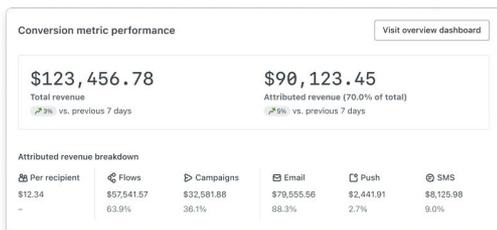
Extremely
granular segmentation



AI / ML-enabled
predictive
insights drive revenue growth

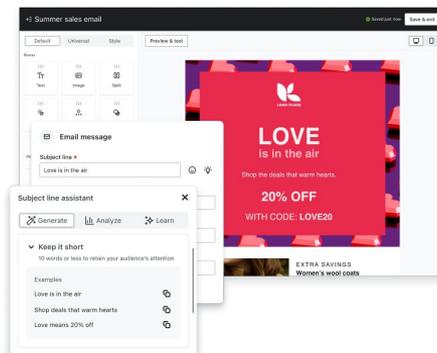
Ease of use allows businesses to put all their data to work

Rapid implementation with **clear attributable value** to drive high ROI



- **KAV = revenue generated** for our customers as a result of messages sent through our platform ¹
- Clearly measurable ROI through integrations with eCommerce platforms
- **Fast time-to-value**

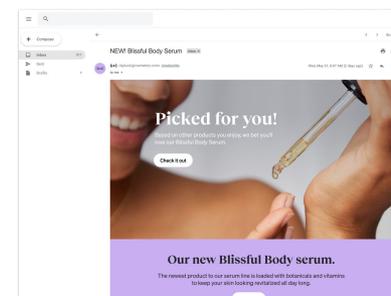
Easy-to-use regardless of technical skill level



- **One-click** customizable templates
- **Generative AI** for content creation
- **Developer tools** to rapidly build automations
- **Simple and intuitive** user interface

Coordinated engagement across channels

Email



SMS



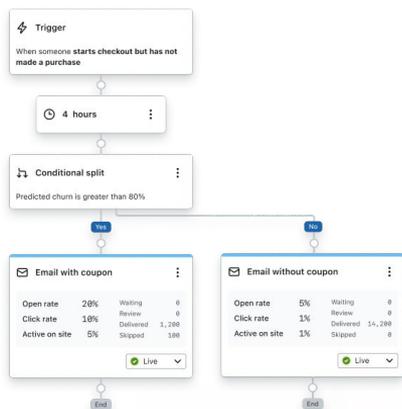
Push



¹ See Appendix for definition of Klaviyo Attributed Value (KAV).

Advanced capabilities deliver highly personalized experiences

Real-time action to reach consumers



- Sub-second-level accessibility to **query data**
- Highly personalized and automated** consumer engagement workflows
- Reaches consumers** with the right content in real-time based on event data
- Live analytics** integrated into flow builder to drive immediate attribution

Extremely granular data segmentation

New segment
Segments allow you to track and analyze people who meet certain conditions

Name: Segment | Select tags: Add tags

Create Segment
Recipients must be consented to receive messages

Whenever someone has: Opened email | last 30 days

And: Purchased clothing | 11/20/22 - 12/02/22

And: Lives in | Philadelphia, PA

And: LTV is over | \$5000

And: Predicted next purchase | Next 60 days

And: Whenever someone has not: Opened support ticket | last 30 days

Add condition | Add conditional group

- First-party data at scale**
- Unifies** profile and event data
- Updated and accessible in **real-time**
- Entire** consumer history
- Easy-to-use** interface

AI / ML-enabled predictive insights drive revenue growth

Behavior forecasting

Mid Rivers

Predictive analytics

Your LTV is 647
Churn risk: 64%
Average time between orders: 35 days
Average order value: \$19.40

Benchmarking

Business performance

Average order value: Best
Average net sales: Best
Average order count: Best
Average order value: Best
Placeholder: Best

A/B testing

Beach day must-haves

Test results

Generative content

Subject line generator

Subject Lines:

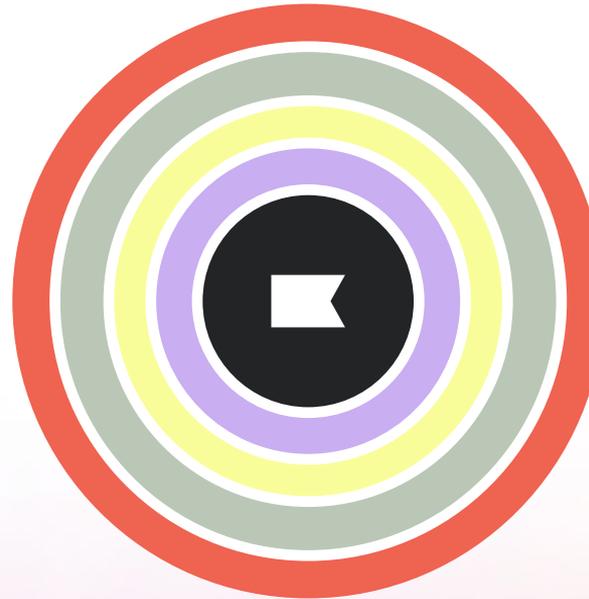
- 2 Ultra, 1 Cloud - The Cloudlike Running Shoes
- Ultra customized, ultra comfortable, & ultra versatile
- 3 in 1 Running Shoes

- Predictive Analytics:** Consumer lifetime value and behavior forecasting
- Content Creation:** SMS assistant, email subject line, suggestions, personalized product feeds
- Optimization:** A/B testing, benchmarks, anomaly detection, send time optimization & guided warming

AI is central to our roadmap and we have a **significant advantage**

AI strategy is built on foundational values of data privacy and trust

- AI is a meaningful component of our platform **today** and we will continue to drive innovation
- We have a differentiated advantage from unifying **billions of data points daily** across profiles, events, and outcomes
- Our AI will extend beyond content generation to enable enhanced data, application, and ecosystem features
- Natural language application and developer interfaces will democratize advanced technology for all users



- Generative and predictive AI
- Idea generation and execution
- Content generation
- Decision making tools
- Full guided software

CDP: Product Analysis

New

Promote the right products at the right time to drive repeat purchases at scale

Boost revenue with smarter merchandising

Tailor your omnichannel strategy by understanding what's selling and why

Effortlessly increase average order value

Build high-converting bundles using insights into frequently bought-together items

Perfect the post-purchase experience

Drive future orders with insights on the best follow-up timing and content

Products bought in the same cart

Promote or bundle these products to increase average order value.

Products	Co-purchase rate
Men's activewear shirt, white	6.1%
Men's activewear short, black	7.0%
Women's activewear shirt, black	5.9%

Products bought in next order

Include these products in post-purchase flows to drive lifetime value.

Products	Post-purchase rate	Median day between purchases
Men's running shoe, blue	7.0%	11
Men's windbreaker	6.1%	10
Women's running cap	6.0%	9

Product analysis

Understand customer behavior by reviewing purchase frequency and product bundling patterns.

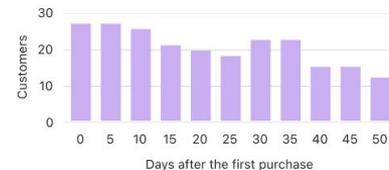
← Men's running shoe, white



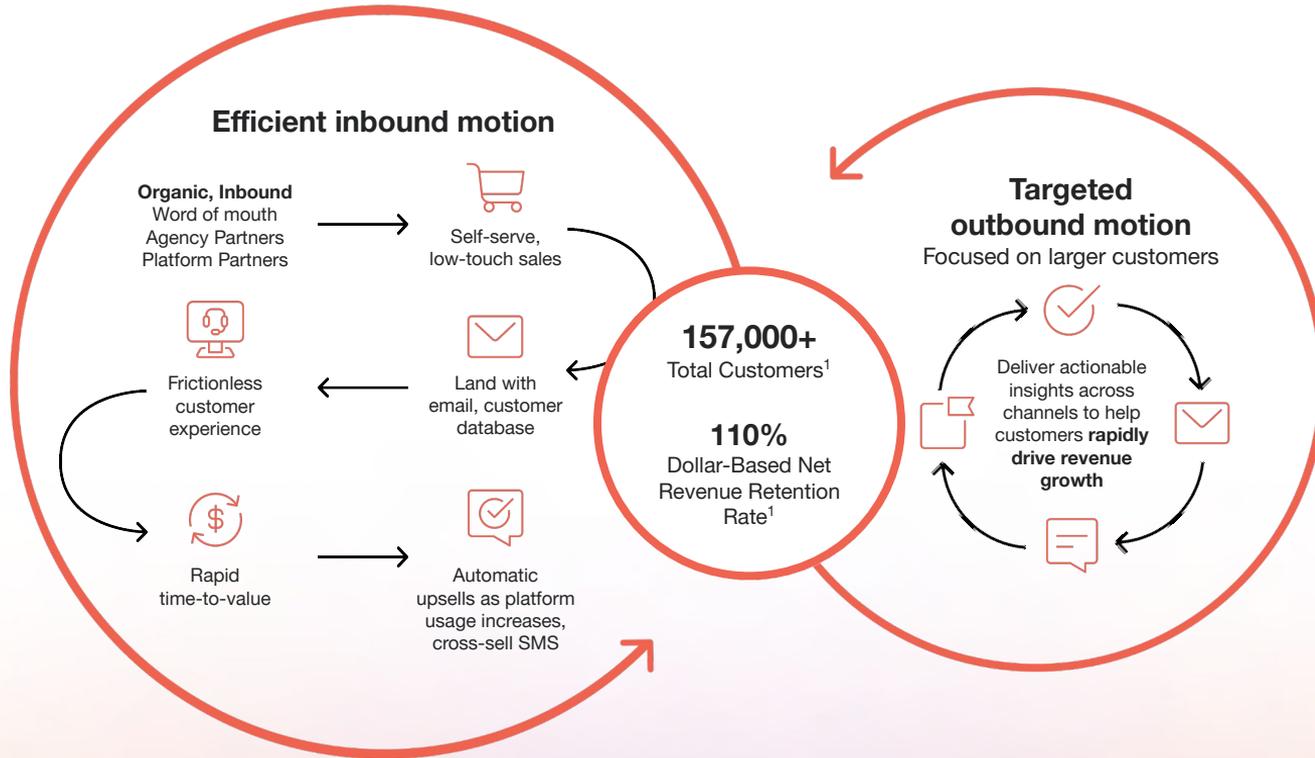
Item ID: 38535985104
Revenue: \$210,000
Unique customers: 2000
Variations: 6
Max price: 50.99 USD

Repeat purchase timing

Review the purchasing behavior of customers who bought this product and then followed up with another purchase.



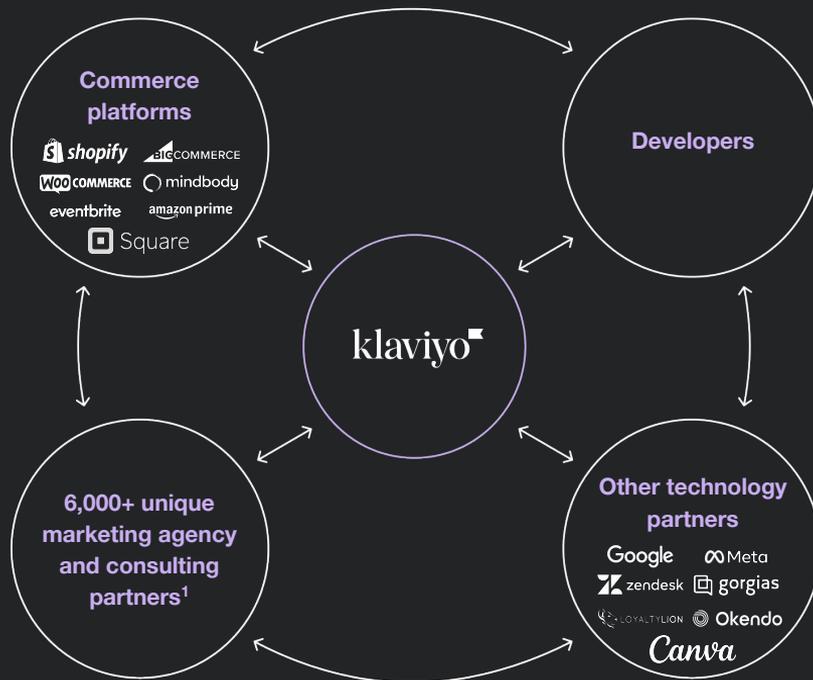
Product-led growth drives highly efficient go-to-market engine



¹ As of September 30, 2024. See Appendix for definitions of Customers and Dollar-Based Net Revenue Retention Rate.

Our partner ecosystem **enriches** customer offerings and **expands reach**

- Drive revenue for Klaviyo and GMV for commerce platforms
- Partner on product and GTM



- Building applications that extend functionality for Klaviyo
- Inside customers or third party developers

- Help implement Klaviyo
- Offer expertise on how to use Klaviyo

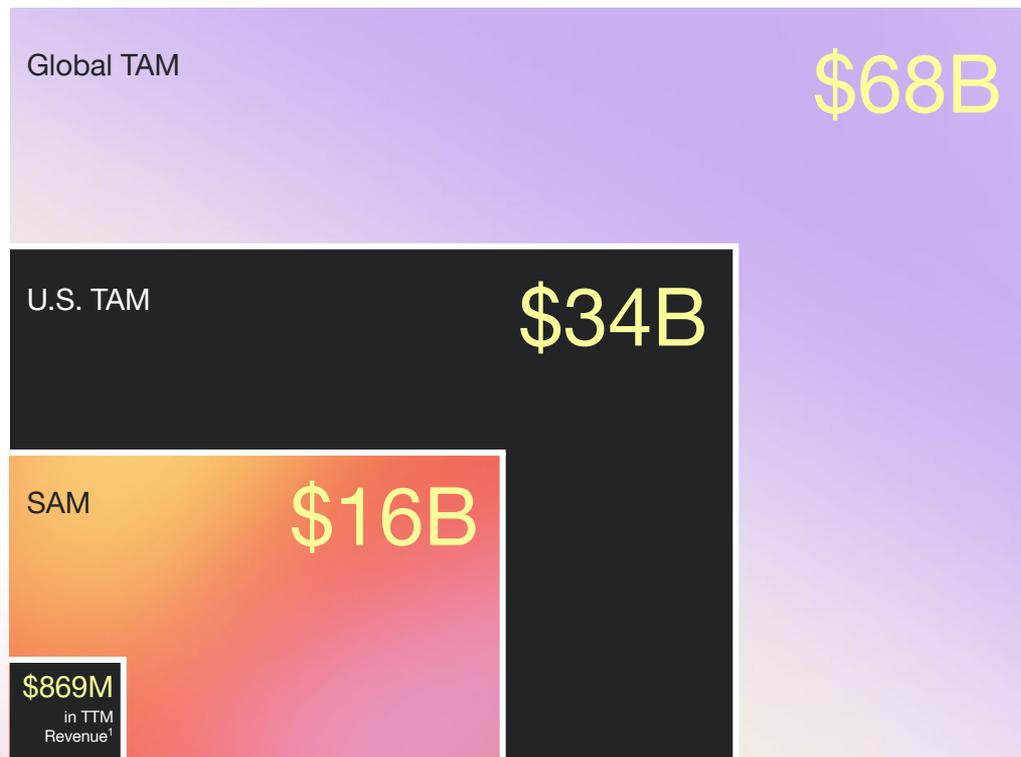
- Software to enhance functionality
- Example: Helpdesk functionality



¹ As of September 30, 2024

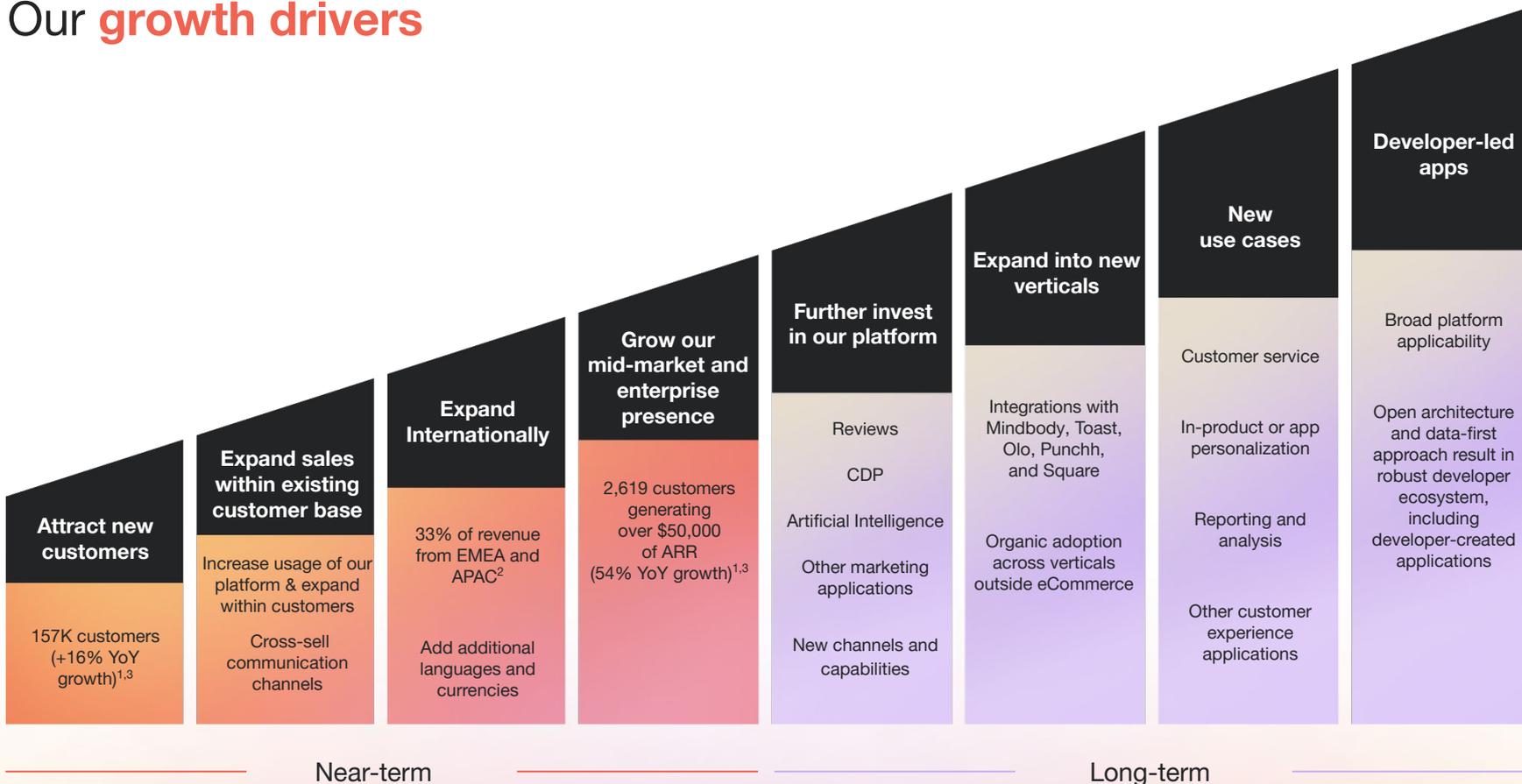
Whitespace for durable growth with sustained execution

- █ \$869M in TTM Revenue¹
- █ \$16B market in retail and eCommerce (~5% penetrated)
- █ \$34B market across verticals in the U.S. (~3% penetrated)
- █ \$68B market globally (~1% penetrated)



¹ For the trailing twelve months ended September 30, 2024
TAM source data: Statista, Analysys Mason, Klaviyo estimates

Our growth drivers



¹ As of September 30, 2024

² For the quarter ended September 30, 2024

³ See Appendix for definitions of Customers and Customers Generating Over \$50,000 of ARR.

Financials

Financial highlights from FY24 Q3¹

Operating at Scale

\$235M

Quarterly revenue

Strong Revenue Growth

34%

Year-over-year growth rate

Healthy Expansion With Our Customers

110%

Dollar-Based Net Revenue Retention Rate²

Momentum in the Mid Market

54%

Year-over-year growth in Customers > \$50K ARR³

Generating Strong Free Cash Flow

15%

TTM FCF Margin⁴

¹All figures for the quarter ended September 30, 2024 unless otherwise noted.

²As of September 30, 2024. See Appendix for definition of Dollar-Based Net Revenue Retention Rate.

³See Appendix for definition of Customers Generating Over \$50,000 of ARR.

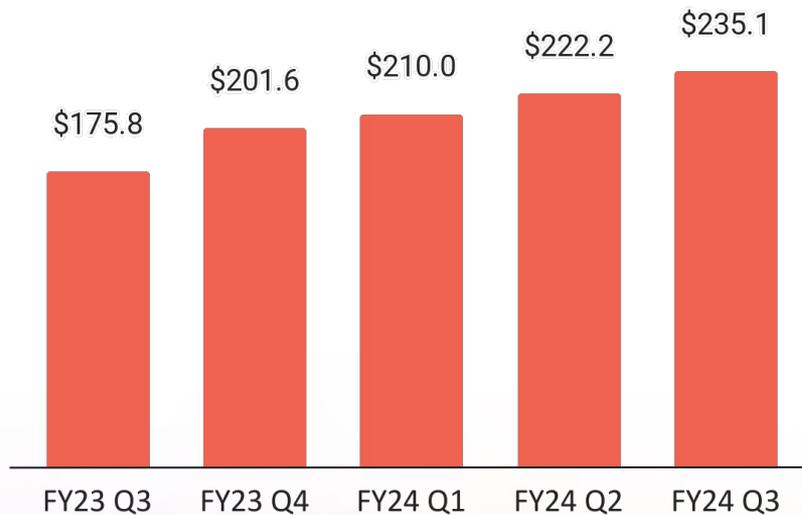
⁴See Appendix for Non-GAAP reconciliation.

Revenue growth at scale

TTM Revenue (\$ in millions)



Revenue (\$ in millions)



YoY Growth

54%

35%

48%

39%

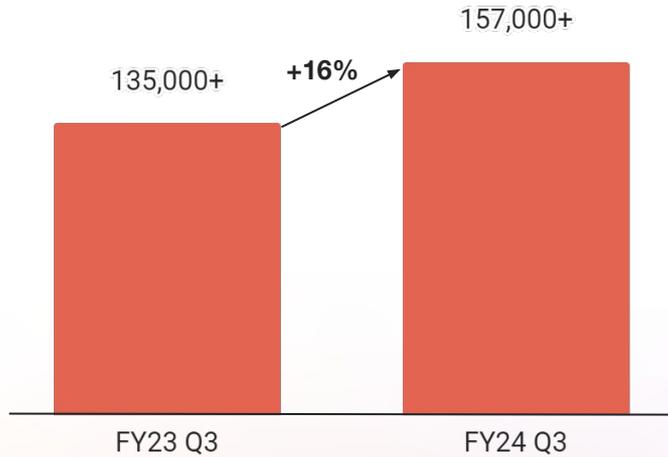
35%

35%

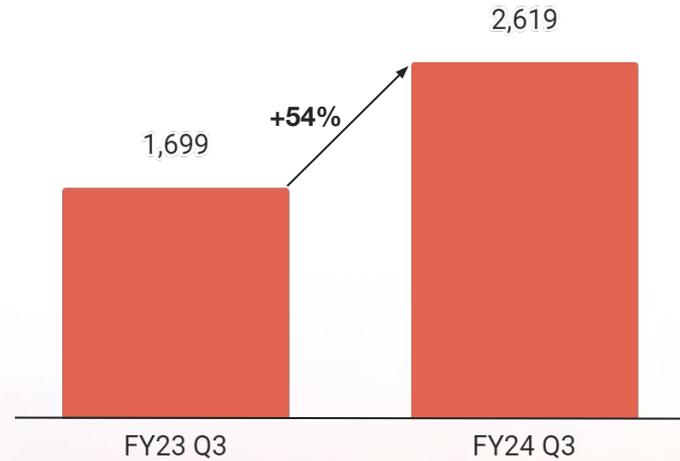
34%

Strong **customer growth**

Total Customers¹

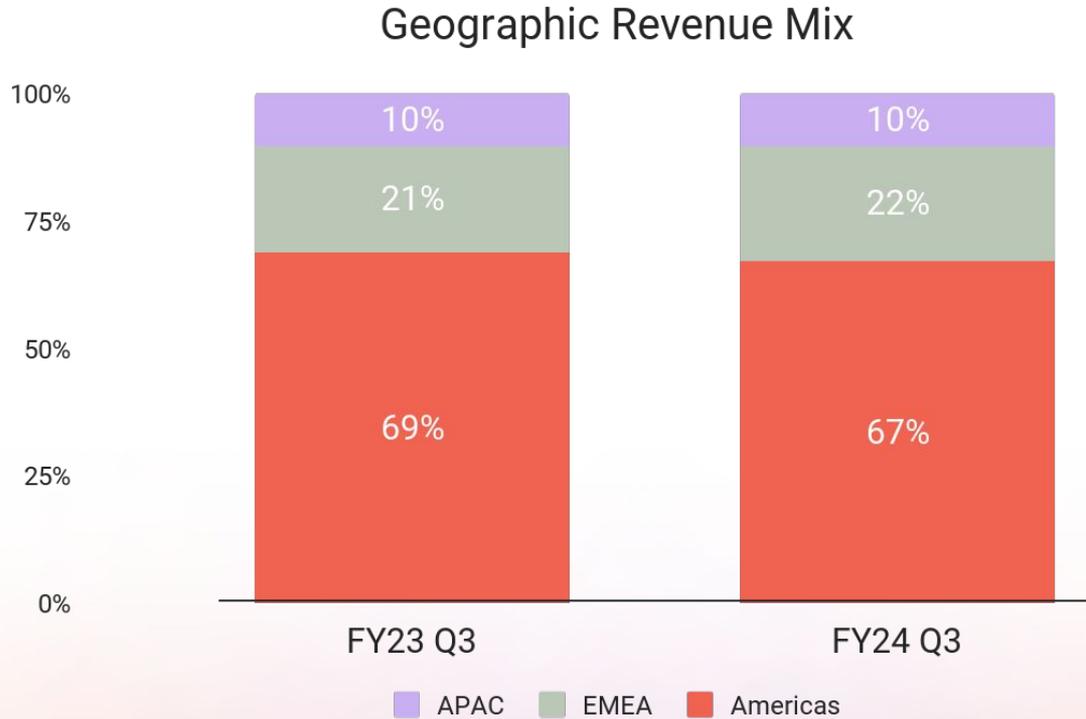


Customers Generating Over \$50,000 of ARR¹



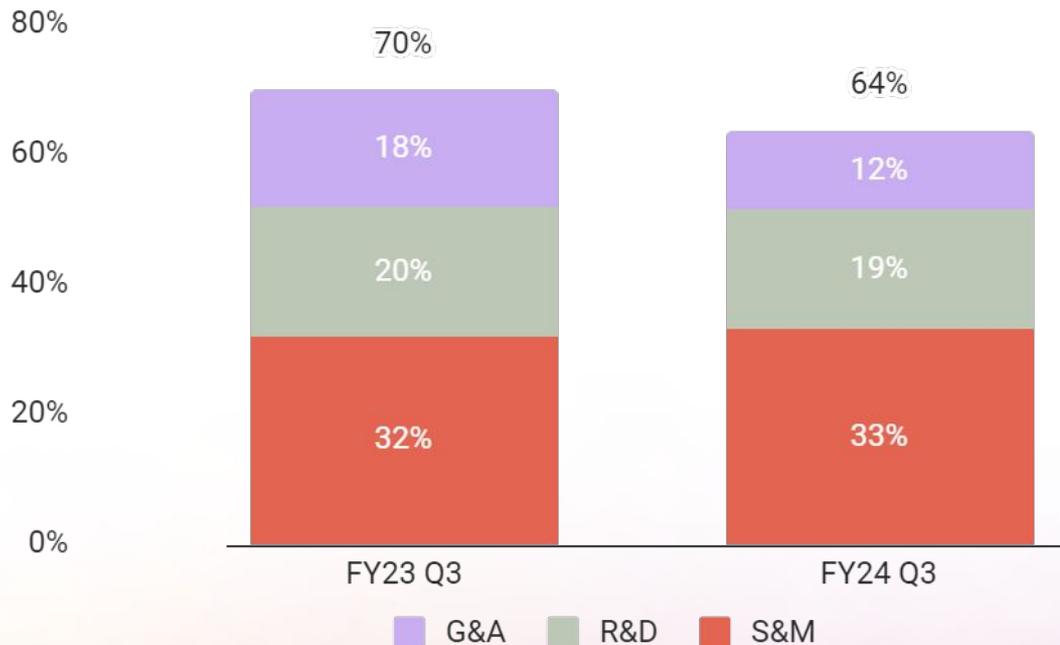
¹ See Appendix for definitions of Customers and Customers Generating Over \$50,000 of ARR. All figures are as of the end of the applicable period.

Continuing to **diversify internationally**



Measured investments against our market opportunity

Non-GAAP Operating Expenses (% of Revenue)



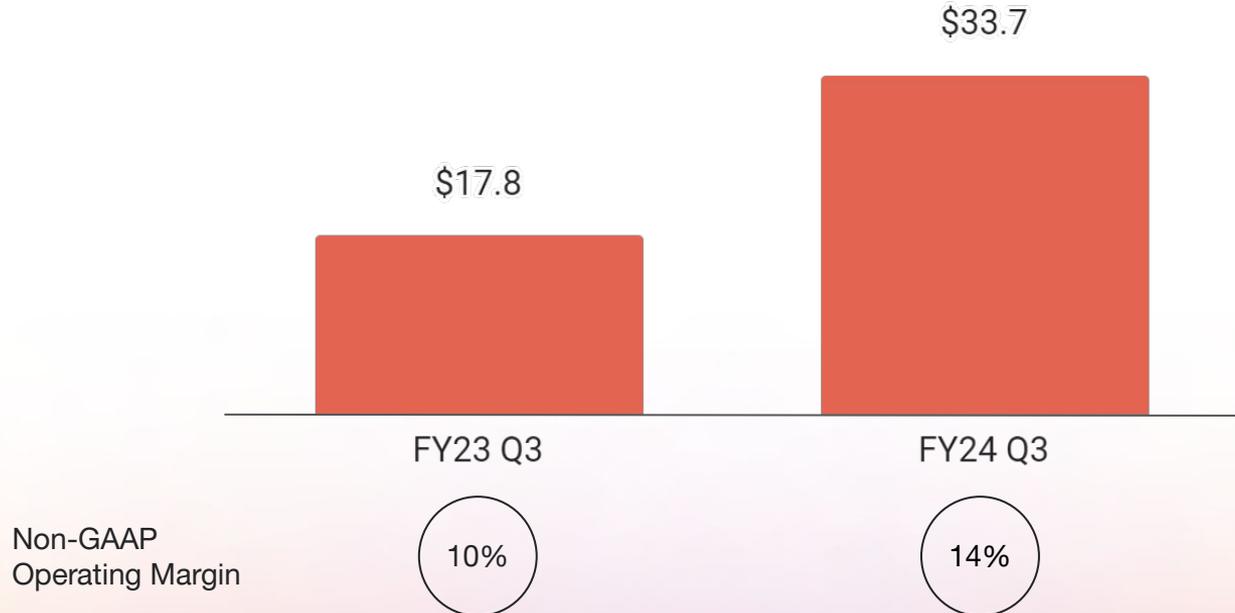
Key drivers

- G&A leverage due to the release of an international tax related reserve and the lapping of Q3 FY23 one-time IPO costs**
- R&D gaining leverage while investing in long-term growth**
- S&M investing behind strong unit economics and marketing initiatives to drive growth**



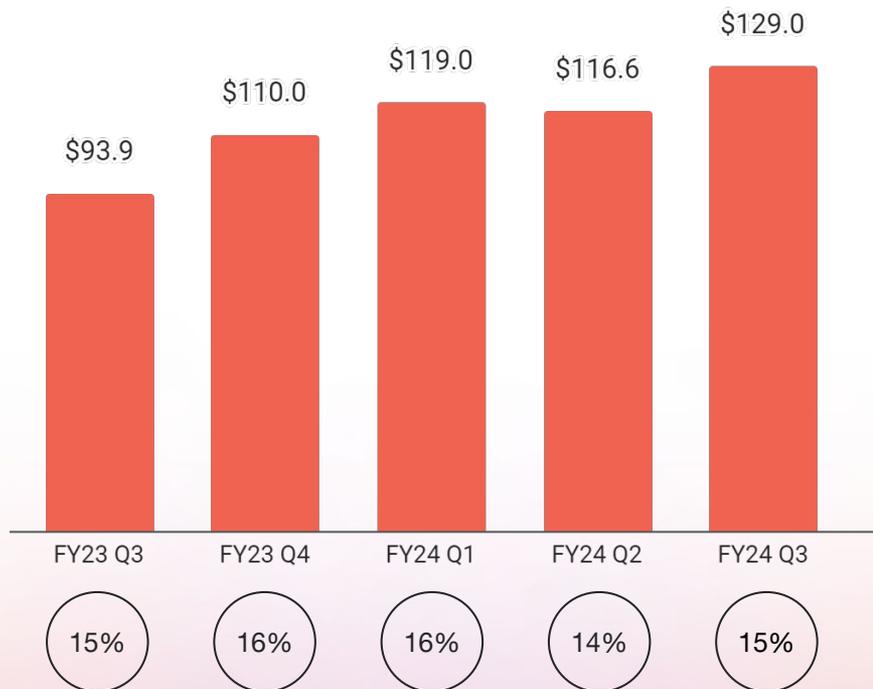
Continued YoY growth of non-GAAP operating margin

Non-GAAP Operating Income (\$ in millions)



Consistent free cash flow generation

Trailing Twelve Month Free Cash Flow (\$ in millions)



TTM Free Cash
Flow Margin



Guidance

(\$ in millions)

	FY24 Q4	FY24
Revenue	\$256 - \$258	\$923 - \$925
<i>YoY Growth</i>	27% - 28%	32% - 33%
Non-GAAP Operating Income ¹	\$7 - \$9	\$104 - \$106
<i>Non-GAAP Operating Margin</i>	3%	11%

¹The Company's non-GAAP operating income guidance includes an expense, expected to be in the low-teens millions of dollars, related to the cost of implementing a new employee cash bonus program in the fourth quarter. Going forward, the Company will accrue for this program throughout each fiscal year.

Appendix

Summary **Non-GAAP P&L**

(\$ in millions)	FY23 Q3	FY23 Q4	FY24 Q1	FY24 Q2	FY24 Q3
Revenue	\$175.8	\$201.6	\$210.0	\$222.2	\$235.1
Cost of Revenue	\$35.5	\$41.9	\$42.4	\$47.5	\$52.1
Gross Profit	\$140.3	\$159.8	\$167.6	\$174.7	\$183.0
<i>Gross margin %</i>	79.8%	79.2%	79.8%	78.6%	77.8%
Selling and marketing	\$56.2	\$77.3	\$66.7	\$70.6	\$77.5
Research and development	\$35.0	\$37.8	\$41.7	\$42.0	\$43.6
General and administrative	\$31.4	\$28.5	\$29.8	\$27.8	\$28.2
Total operating expenses	\$122.5	\$143.6	\$138.3	\$140.4	\$149.3
<i>Operating expenses %</i>	69.7%	71.2%	65.8%	63.2%	63.5%
Operating income	\$17.8	\$16.2	\$29.3	\$34.3	\$33.7
<i>Operating margin %</i>	10.1%	8.0%	14.0%	15.4%	14.3%
Free cash flow	\$21.9	\$34.7	\$23.0	\$37.1	\$34.2
<i>FCF margin %</i>	12.4%	17.2%	10.9%	16.7%	14.6%



GAAP to Non-GAAP reconciliation of Operating (loss) income

(\$ in thousands)	FY23 Q3	FY23 Q4	FY24 Q1	FY24 Q2	FY24 Q3
Operating loss	(\$302,203)	(\$36,330)	(\$22,092)	(\$14,053)	(\$13,278)
Stock-based Compensation	\$299,975	\$38,482	\$35,627	\$33,506	\$31,557
Employer payroll tax on employee stock transactions	\$6,838	\$822	\$2,583	\$1,647	\$2,207
Amortization of prepaid marketing	\$13,224	\$13,225	\$13,224	\$13,225	\$13,224
Non-GAAP operating income	\$17,834	\$16,199	\$29,342	\$34,325	\$33,710
<i>Operating margin</i>	<i>(171.9%)</i>	<i>(18.0%)</i>	<i>(10.5%)</i>	<i>(6.3%)</i>	<i>(5.6%)</i>
<i>Non-GAAP operating margin</i>	<i>10.1%</i>	<i>8.0%</i>	<i>14.0%</i>	<i>15.4%</i>	<i>14.3%</i>

GAAP to Non-GAAP reconciliation of Gross Profit

(\$ in thousands)	FY23 Q3	FY23 Q4	FY24 Q1	FY24 Q2	FY24 Q3
Gross profit	\$116,982	\$156,605	\$165,055	\$171,942	\$180,737
Stock-based Compensation	\$21,902	\$3,028	\$2,378	\$2,621	\$2,033
Employer payroll tax on employee stock transactions	\$1,451	\$135	\$184	\$180	\$238
Non-GAAP gross profit	\$140,335	\$159,768	\$167,617	\$174,743	\$183,008
<i>Gross margin</i>	<i>66.5%</i>	<i>77.7%</i>	<i>78.6%</i>	<i>77.4%</i>	<i>76.9%</i>
<i>Non-GAAP gross margin</i>	<i>79.8%</i>	<i>79.2%</i>	<i>79.8%</i>	<i>78.6%</i>	<i>77.8%</i>

GAAP to Non-GAAP reconciliation of Operating Expenses

(\$ in thousands)	FY23 Q3	FY23 Q4	FY24 Q1	FY24 Q2	FY24 Q3
Selling and marketing	\$167,877	\$102,524	\$91,858	\$94,501	\$100,018
Stock-based Compensation	(\$95,962)	(\$11,813)	(\$11,284)	(\$10,175)	(\$8,519)
Employer payroll tax on employee stock transactions	(\$2,515)	(\$232)	(\$646)	(\$472)	(\$728)
Amortization of prepaid marketing	(\$13,224)	(\$13,225)	(\$13,224)	(\$13,225)	(\$13,224)
Non-GAAP Selling and marketing	\$56,176	\$77,254	\$66,704	\$70,629	\$77,547
Research and development	\$141,455	\$52,635	\$56,097	\$55,735	\$55,769
Stock-based Compensation	(\$104,829)	(\$14,542)	(\$13,121)	(\$13,053)	(\$11,505)
Employer payroll tax on employee stock transactions	(\$1,675)	(\$277)	(\$1,246)	(\$706)	(\$691)
Non-GAAP Research and development	\$34,951	\$37,816	\$41,730	\$41,976	\$43,573
General and administrative	\$109,853	\$37,776	\$39,192	\$35,759	\$38,228
Stock-based Compensation	(\$77,282)	(\$9,099)	(\$8,844)	(\$7,657)	(\$9,500)
Employer payroll tax on employee stock transactions	(\$1,197)	(\$178)	(\$507)	(\$289)	(\$550)
Non-GAAP General and administrative	\$31,374	\$28,499	\$29,841	\$27,813	\$28,178
Total operating expenses	\$419,185	\$192,935	\$187,147	\$185,995	\$194,015
Stock-based Compensation	(\$278,073)	(\$35,454)	(\$33,249)	(\$30,885)	(\$29,524)
Employer payroll tax on employee stock transactions	(\$5,387)	(\$687)	(\$2,399)	(\$1,467)	(\$1,969)
Amortization of prepaid marketing	(\$13,224)	(\$13,225)	(\$13,224)	(\$13,225)	(\$13,224)
Non-GAAP Total Operating Expenses	\$122,501	\$143,569	\$138,275	\$140,418	\$149,298

Reconciliation of Operating Cash Flow to Free Cash Flow

(\$ in thousands)	FY23 Q3	FY23 Q4	FY24 Q1	FY24 Q2	FY24 Q3
Cash Provided by operating activities	\$23,700	\$38,644	\$26,182	\$40,900	\$38,784
Acquisition of property and equipment	(\$54)	(\$2,830)	(\$1,259)	(\$769)	(\$1,547)
Capitalization of software development costs	(\$1,776)	(\$1,093)	(\$1,966)	(\$3,066)	(\$2,991)
Free cash flow	\$21,870	\$34,721	\$22,957	\$37,065	\$34,246
<i>Operating cash flow margin</i>	13.5%	19.2%	12.5%	18.4%	16.5%
<i>Free cash flow margin</i>	12.4%	17.2%	10.9%	16.7%	14.6%

Select defined terms

Customers: We define a customer as a distinct paid subscription to our platform. A single organization could have multiple discrete contracting divisions or subsidiaries or brands each with paid subscriptions to our platform, which would, in general, constitute multiple distinct customers. In some cases at the customer's request, we allow subscriptions under the same parent organization to be consolidated into a single paid subscription in which case such consolidated paid subscriptions would constitute a single customer. We measure our total number of customers as a point-in-time calculation measured as of the end of a particular period. Customers do not include persons or entities that use our platform on a free trial basis.

Customers Generating Over \$50,000 of ARR: We calculate our number of customers generating over \$50,000 of ARR (as defined below) as those customers that have an average ARR of greater than \$50,000 over the prior twelve months (or the entire duration of the customer's paying relationship, if it is less than twelve months) as of the date of determination. We believe the number of customers generating over \$50,000 of ARR is a key performance metric to help investors and others understand and evaluate our results of operations in the same manner as our management team, as it is an indicator of our ability to grow the number of customers that are exceeding this ARR threshold, both from our existing customers expanding their usage of our platform and from our sales to larger customers. We believe this is an important indicator of our ability to continue to successfully move up market.

Dollar-Based Net Revenue Retention Rate: We calculate our Dollar-Based Net Revenue Retention Rate ("NRR") by first identifying the cohort of customers as of twelve months prior to the date of determination. We then calculate the Annualized Recurring Revenue ("ARR") from this customer cohort as of twelve months prior to the date of determination (the "Prior Period ARR") and the ARR from this customer cohort as of the date of determination (the "Current Period ARR"). ARR, for any date of determination, is the annualized value of existing paid subscriptions, which we calculate by taking the amount of revenue that we expect to receive in the next monthly period for our existing paid subscriptions, assuming no changes to such subscriptions in the next month, as of that date of determination, and multiplying that amount by twelve. Current Period ARR includes any expansion, price increases, and customer subscriptions that are deactivated and subsequently reactivated during the applicable twelve-month period and reflects contraction or attrition over the last twelve months from this customer cohort, but excludes any ARR from new customers in the current period. We then divide the total Current Period ARR by the total Prior Period ARR to arrive at the point-in-time NRR. We then calculate the weighted average point-in-time NRR as of the last day of each month in the current trailing twelve-month period to arrive at the NRR, with the weightings determined by the total ARR at the end of each period. We believe NRR is a key performance metric to help investors and others understand and evaluate our results of operations in the same manner as our management team, as it represents the expansion in usage of our platform by our existing customers, which is an important measure of the health of our business and future growth prospects. We measure Dollar-Based Net Revenue Retention Rate to measure this growth.

Klaviyo Attributed Value: We define Klaviyo Attributed Value ("KAV") as the amount of revenue our customers generated through orders placed by consumers within a specified period of time after a message is sent using our platform, which in the case of email is five days from when the message is sent, and in the case of SMS is twenty-four hours from when the message is sent. For email, the message also needs to be opened or clicked in order for the transaction to fall within our definition. KAV excludes orders placed with customers that do not opt-in to sharing data on placed orders, orders for which we cannot determine the currency or value, or unusual orders that appear to us to be anomalies. Since our definition of a customer does not include persons or entities that use our platform on a free trial basis, any revenue generated through orders placed with these persons or entities is also excluded from our definition of KAV. We do not net chargebacks or sales refunds from our calculation of KAV. If a customer leaves Klaviyo, we stop counting that customer's KAV after their last contracted month. We believe KAV serves as a measure of the return-on-investment that we help generate for our customers and illustrates the value our platform can drive to our customers, which we believe enhances our ability to maintain existing customers and attract new customers. We use KAV as an internal estimate to track the value we drive to customers through our platform. KAV is an operational measure, does not represent revenue earned by us, and does not directly correlate to our pricing, revenue, or results of operations. Further, KAV is not a forecast of future revenue and investors should not place undue reliance on KAV as an indicator of our future or expected results.

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