

Okta, Inc.

Supplemental Financial Information, Non-GAAP Financial Measures, and Other Metrics

Statement Regarding Use of Non-GAAP Financial Measures

This supplemental financial information contains certain non-GAAP metrics and other non-GAAP financial measures. This presentation contains our reconciliation of those non-GAAP metrics and other financial measures.

We report non-GAAP financial measures in addition to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP.

Our non-GAAP presentation of gross profit, gross margin, operating expenses, operating loss, net loss and net loss per share measures exclude stock-based compensation expense, charitable contributions and amortization of acquired intangibles.

We present calculated billings, as revenue plus the change in deferred revenue during the period. Trailing 12-months calculated billings represent the sum of the last four quarters of calculated billings.

Free cash flow, which is a non-GAAP financial measure, is calculated as net cash used in operating activities, reduced by purchases of property and equipment and capitalized internal-use software costs. Free cash flow margin is calculated as free cash flow as a percentage of total revenues.

Our dollar-based retention rate is based upon our Annual Contract Value (ACV). ACV for a customer is calculated based on the terms of that customer's contract and represents the total contracted annual subscription amount as of that period end. We calculate our dollar-based retention rate as of a period end by starting with the ACV from all customers as of twelve months prior to such period end, or Prior Period ACV. We then calculate the ACV from these same customers as of the current period end, or Current Period ACV. Current Period ACV includes any upsells and is net of contraction or attrition over the trailing twelve months but excludes revenue from new customers in the current period. We then divide the total Current Period ACV by the total Prior Period ACV to arrive at our dollar-based retention rate.

We believe that non-GAAP financial information, when taken collectively, may be helpful to investors because it provides useful supplemental information, consistency and comparability with past financial performance, and assists in comparisons with other companies, some of which use similar non-GAAP financial information to supplement their GAAP results.

The non-GAAP financial measures included in the accompanying tables are not meant to be considered in isolation or as a substitute for comparable GAAP measures; should be read in conjunction with the company's financial statements prepared in accordance with GAAP; have no standardized meaning prescribed by GAAP; and are not prepared under any comprehensive set of accounting rules or principles. In addition, from time to time in the future there may be other items that the company may exclude for purposes of its non-GAAP financial measures. Because of the non-standardized definitions of non-GAAP financial measures, the non-GAAP financial measures as used by the company in the accompanying tables have limits in their usefulness to investors and may be calculated differently from, and therefore may not be directly comparable to, similarly titled measures used by other companies.

The company encourages investors to carefully consider its results under GAAP, as well as its supplemental non-GAAP information and the reconciliation between these presentations, to more fully understand its business. Please see the tables included in this presentation for the reconciliation of GAAP and non-GAAP results.

Okta, Inc.
Condensed Consolidated Statements of Operations - Fiscal Quarters
(in thousands, except per share data)

	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	Q1 FY18	Q2 FY18	Q3 FY18
Revenue							
Subscription	\$ 27,563	\$ 33,439	\$ 38,123	\$ 44,011	\$ 48,357	\$ 56,080	\$ 62,705
Professional services and other	4,224	3,997	4,160	4,809	4,650	4,915	5,533
Total revenue	31,787	37,436	42,283	48,820	53,007	60,995	68,238
Cost of revenue							
Subscription	7,460	8,466	8,597	9,688	11,157	12,691	13,553
Professional services and other	4,919	5,314	5,506	5,999	6,306	6,991	7,570
Total cost of revenue	12,379	13,780	14,103	15,687	17,463	19,682	21,123
Gross profit	19,408	23,656	28,180	33,133	35,544	41,313	47,115
Operating expenses							
Research and development	8,766	9,655	9,706	10,532	15,359	16,923	19,190
Sales and marketing	26,401	28,421	32,442	31,478	37,180	39,597	49,606
General and administrative	6,945	6,142	7,922	9,090	11,639	11,948	13,546
Total operating expenses	42,112	44,218	50,070	51,100	64,178	68,468	82,342
Operating loss	(22,704)	(20,562)	(21,890)	(17,967)	(28,634)	(27,155)	(35,227)
Other income, net	32	56	50	(99)	(19)	382	509
Loss before income taxes	(22,672)	(20,506)	(21,840)	(18,066)	(28,653)	(26,773)	(34,718)
Provision (benefit) for income taxes	81	95	91	158	248	229	(940)
Net loss	\$ (22,753)	\$ (20,601)	\$ (21,931)	\$ (18,224)	\$ (28,901)	\$ (27,002)	\$ (33,778)
Net loss per common share, basic and diluted	(1.22)	(1.10)	(1.14)	(0.93)	(0.73)	(0.29)	(0.35)
Weighted-average shares used to compute net loss per common share	18,574	18,802	19,174	19,596	39,783	93,576	95,474

Okta, Inc.
Non-GAAP Condensed Consolidated Statements of Operations - Fiscal Quarters
(in thousands, except per share data)

	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	Q1 FY18	Q2 FY18	Q3 FY18
Revenue							
Subscription	\$ 27,563	\$ 33,439	\$ 38,123	\$ 44,011	\$ 48,357	\$ 56,080	\$ 62,705
Professional services and other	4,224	3,997	4,160	4,809	4,650	4,915	5,533
Total revenue	31,787	37,436	42,283	48,820	53,007	60,995	68,238
Cost of revenue							
Subscription	7,020	7,973	7,972	9,079	10,467	11,635	12,132
Professional services and other	4,646	5,001	5,202	5,606	5,837	6,253	6,591
Total cost of revenue	11,666	12,974	13,174	14,685	16,304	17,888	18,723
Gross profit	20,121	24,462	29,109	34,135	36,703	43,107	49,515
Operating expenses							
Research and development	8,148	8,919	8,898	9,702	12,058	12,485	14,016
Sales and marketing	25,047	27,009	30,823	29,834	34,805	36,576	45,712
General and administrative	6,214	5,385	6,395	7,261	9,564	9,223	9,852
Total operating expenses	39,409	41,313	46,116	46,797	56,427	58,284	69,580
Operating loss	(19,288)	(16,851)	(17,007)	(12,662)	(19,724)	(15,177)	(20,065)
Other income, net	32	56	50	(99)	(19)	382	509
Loss before income taxes	(19,256)	(16,795)	(16,957)	(12,761)	(19,743)	(14,795)	(19,556)
Provision (benefit) for income taxes	81	95	91	158	248	229	(940)
Net loss	\$ (19,337)	\$ (16,890)	\$ (17,048)	\$ (12,919)	\$ (19,991)	\$ (15,024)	\$ (18,616)
Net loss per common share, basic and diluted	\$ (1.04)	\$ (0.90)	\$ (0.89)	\$ (0.66)	\$ (0.50)	\$ (0.16)	\$ (0.19)
Weighted-average shares used to compute net loss per common share	18,574	18,802	19,174	19,596	39,783	93,576	95,474

Okta, Inc.
Condensed Consolidated Balance Sheets - Fiscal Quarters
(in thousands)

	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	Q1 FY18	Q2 FY18	Q3 FY18
Assets							
Current assets:							
Cash and cash equivalents	\$ 39,714	\$ 28,835	\$ 20,134	\$ 23,282	\$ 221,726	\$ 126,464	\$ 137,575
Short-term investments	30,455	26,133	21,999	14,390	2,500	86,755	86,043
Accounts receivable, net of allowances	20,069	22,475	26,515	34,544	32,171	35,304	46,882
Deferred commissions	10,171	10,199	11,220	13,549	13,131	13,279	14,134
Prepaid expenses and other current assets	7,451	7,767	7,114	7,025	10,271	12,884	10,038
Total current assets	107,860	95,409	86,982	92,790	279,799	274,686	294,672
Property and equipment, net	6,576	7,937	8,985	11,026	13,180	13,302	13,122
Deferred commissions, noncurrent	7,474	7,476	8,003	10,050	9,463	9,248	9,163
Intangible assets, net	5,074	5,840	7,235	9,155	9,835	11,051	11,455
Goodwill	2,630	2,630	2,630	2,630	6,282	6,282	6,282
Other assets	4,821	5,368	6,942	4,984	1,671	1,658	2,463
Total assets	\$ 134,435	\$ 124,660	\$ 120,777	\$ 130,635	\$ 320,230	\$ 316,227	\$ 337,157
Liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)							
Current liabilities:							
Accounts payable ⁽¹⁾	\$ 9,355	\$ 6,821	\$ 8,440	\$ 9,387	\$ 12,853	\$ 8,887	\$ 12,875
Accrued expenses and other current liabilities ⁽¹⁾	5,978	6,239	6,145	8,363	7,878	5,360	4,955
Accrued compensation	5,036	4,991	6,623	9,866	6,613	11,334	14,671
Deferred revenue	72,953	82,684	93,103	108,012	115,717	127,218	138,460
Total current liabilities	93,322	100,735	114,311	135,628	143,061	152,799	170,961
Deferred revenue, noncurrent	9,009	8,297	6,715	5,711	4,927	4,108	3,188
Other liabilities, noncurrent	3,943	3,704	3,603	4,947	6,323	6,451	6,553
Total liabilities	106,274	112,736	124,629	146,286	154,311	163,358	180,702
Commitments and contingencies							
Redeemable convertible preferred stock	227,954	227,954	227,954	227,954	—	—	—
Stockholders' deficit:							
Class A common stock	—	—	—	—	1	2	2
Class B common stock	2	2	2	2	8	8	8
Additional paid-in capital	27,336	31,800	38,064	44,469	483,019	496,801	534,304
Accumulated other comprehensive income (loss)	22	(78)	(187)	(167)	(99)	70	(69)
Accumulated deficit	(227,153)	(247,754)	(269,685)	(287,909)	(317,010)	(344,012)	(377,790)
Total stockholders' equity (deficit)	(199,793)	(216,030)	(231,806)	(243,605)	165,919	152,869	156,455
Total liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)	\$ 134,435	\$ 124,660	\$ 120,777	\$ 130,635	\$ 320,230	\$ 316,227	\$ 337,157

⁽¹⁾ Certain reclassifications of prior period amounts have been made in our condensed consolidated balance sheets to conform to the current period presentation.

Okta, Inc.
Condensed Consolidated Statements of Cash Flows - Fiscal Quarters
(in thousands)

	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	Q1 FY18	Q2 FY18	Q3 FY18
Operating activities:							
Net loss	\$ (22,753)	\$ (20,601)	\$ (21,931)	\$ (18,224)	\$ (28,901)	\$ (27,002)	\$ (33,778)
Adjustments to reconcile net loss to net cash used in operating activities:							
Depreciation, amortization and accretion	887	1,085	1,205	1,391	1,575	1,713	1,823
Stock-based compensation	3,369	3,663	4,838	5,258	8,906	11,976	14,408
Amortization of deferred commissions	3,053	3,336	3,537	3,808	4,039	4,294	4,465
Deferred income taxes	—	—	—	—	—	—	(960)
Non-cash charitable contributions	—	—	129	—	—	—	708
Other	(130)	18	285	402	270	421	308
Changes in operating assets and liabilities:							
Accounts receivable	3,090	(2,400)	(4,296)	(8,387)	2,243	(3,554)	(11,431)
Deferred commissions	(2,756)	(3,366)	(5,085)	(8,184)	(3,033)	(4,228)	(5,234)
Prepaid expenses and other assets	(2,876)	(527)	1,091	(1,110)	(3,143)	(2,797)	2,951
Accounts payable ⁽¹⁾	3,454	(2,267)	1,265	(925)	3,236	(504)	3,523
Accrued compensation	(2,855)	(46)	1,633	3,235	(2,121)	4,683	3,369
Accrued expenses and other liabilities ⁽¹⁾	45	248	(34)	2,129	323	(1,924)	56
Deferred revenue	2,437	9,019	8,837	13,905	6,920	10,684	10,321
Net cash used in operating activities	(15,035)	(11,838)	(8,526)	(6,702)	(9,686)	(6,238)	(9,471)
Investing activities:							
Capitalization of internal-use software costs	(1,232)	(1,093)	(1,667)	(1,497)	(1,208)	(1,535)	(1,329)
Purchases of property and equipment and other	(927)	(2,102)	(1,618)	(1,606)	(2,448)	(2,708)	(414)
Purchases of securities available for sale	—	—	—	—	—	(86,776)	(8,568)
Proceeds from sales of securities available for sale	—	2,207	4,000	—	1,538	—	—
Proceeds from maturities and redemption of securities available for sale	3,000	2,000	—	7,500	10,335	2,500	9,150
Payments for business acquisition	—	—	—	—	—	—	—
Net cash provided by (used in) investing activities	841	1,012	715	4,397	8,217	(88,519)	(1,161)
Financing activities:							
Proceeds from initial public offering, net of underwriters' discounts and commissions	—	—	—	—	199,997	(49)	—
Payments of deferred offering costs	(390)	(416)	(184)	(594)	(2,246)	(1,792)	—
Proceeds from stock option exercises, net of repurchases, and other	124	535	1,006	772	2,564	1,352	21,884
Principal payments on financing arrangements	(71)	(71)	(71)	(71)	(207)	(66)	(70)
Payments on debt issuance costs	—	—	—	(112)	—	—	—
Net cash provided by (used in) financing activities	(337)	48	751	(5)	200,108	(555)	21,814
Effects of changes in foreign currency exchange rates on cash and cash equivalents	47	(101)	(90)	24	68	66	(81)
Net increase (decrease) in cash, cash equivalents and restricted cash	(14,484)	(10,879)	(7,150)	(2,286)	198,707	(95,246)	11,101
Cash, cash equivalents and restricted cash at beginning of year	58,081	43,597	32,718	25,568	23,282	221,989	126,743
Cash, cash equivalents and restricted cash at end of year	\$ 43,597	\$ 32,718	\$ 25,568	\$ 23,282	\$ 221,989	\$ 126,743	\$ 137,844

⁽¹⁾ Certain reclassifications of prior period amounts have been made in our condensed consolidated statements of cash flows to conform to the current period presentation.

Okta, Inc.

GAAP to Non-GAAP Reconciliations - Fiscal Quarters
(in thousands, except percentages and per share data)

	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	Q1 FY18	Q2 FY18	Q3 FY18
GAAP subscription gross profit	\$20,103	\$24,973	\$29,526	\$34,323	\$37,200	\$43,389	\$49,152
Stock-based compensation	393	446	578	562	686	1,056	1,421
Amortization of acquired intangibles	47	47	47	47	4	—	—
Non-GAAP subscription gross profit	<u>\$20,543</u>	<u>\$25,466</u>	<u>\$30,151</u>	<u>\$34,932</u>	<u>\$37,890</u>	<u>\$44,445</u>	<u>\$50,573</u>
<i>Non-GAAP subscription gross margin</i>	74.5 %	76.2 %	79.1 %	79.4 %	78.4 %	79.3 %	80.7 %
GAAP professional services gross profit	\$ (695)	\$ (1,317)	\$ (1,346)	\$ (1,190)	\$ (1,656)	\$ (2,076)	\$ (2,037)
Stock-based compensation	273	313	304	393	469	738	979
Non-GAAP professional services gross profit	<u>\$ (422)</u>	<u>\$ (1,004)</u>	<u>\$ (1,042)</u>	<u>\$ (797)</u>	<u>\$ (1,187)</u>	<u>\$ (1,338)</u>	<u>\$ (1,058)</u>
<i>Non-GAAP professional services gross margin</i>	(10.0)%	(25.1)%	(25.0)%	(16.6)%	(25.5)%	(27.2)%	(19.1)%
GAAP total gross profit	\$19,408	\$23,656	\$28,180	\$33,133	\$35,544	\$41,313	\$47,115
Stock-based compensation	666	759	882	955	1,155	1,794	2,400
Amortization of acquired intangibles	47	47	47	47	4	—	—
Non-GAAP total gross profit	<u>\$20,121</u>	<u>\$24,462</u>	<u>\$29,109</u>	<u>\$34,135</u>	<u>\$36,703</u>	<u>\$43,107</u>	<u>\$49,515</u>
<i>Non-GAAP total gross margin</i>	63.3 %	65.3 %	68.8 %	69.9 %	69.2 %	70.7 %	72.6 %
GAAP research and development expense	\$ 8,766	\$ 9,655	\$ 9,706	\$10,532	\$15,359	\$16,923	\$19,190
Stock-based compensation	618	736	808	830	3,301	4,438	5,174
Non-GAAP research and development expense	<u>\$ 8,148</u>	<u>\$ 8,919</u>	<u>\$ 8,898</u>	<u>\$ 9,702</u>	<u>\$12,058</u>	<u>\$12,485</u>	<u>\$14,016</u>
<i>Non-GAAP research and development expense as a percentage of revenue</i>	25.6 %	23.8 %	21.0 %	19.9 %	22.7 %	20.5 %	20.5 %
GAAP sales and marketing expense	\$26,401	\$28,421	\$32,442	\$31,478	\$37,180	\$39,597	\$49,606
Stock-based compensation	1,354	1,412	1,619	1,644	2,375	3,021	3,894
Non-GAAP sales and marketing expense	<u>\$25,047</u>	<u>\$27,009</u>	<u>\$30,823</u>	<u>\$29,834</u>	<u>\$34,805</u>	<u>\$36,576</u>	<u>\$45,712</u>
<i>Non-GAAP sales and marketing expense as a percentage of revenue</i>	78.8 %	72.1 %	72.9 %	61.1 %	65.7 %	60.0 %	67.0 %
GAAP general and administrative expense	\$ 6,945	\$ 6,142	\$ 7,922	\$ 9,090	\$11,639	\$11,948	\$13,546
Stock-based compensation	731	757	1,527	1,829	2,075	2,725	2,940
Charitable contributions	—	—	—	—	—	—	754
Non-GAAP general and administrative expense	<u>\$ 6,214</u>	<u>\$ 5,385</u>	<u>\$ 6,395</u>	<u>\$ 7,261</u>	<u>\$ 9,564</u>	<u>\$ 9,223</u>	<u>\$ 9,852</u>
<i>Non-GAAP general and administrative expense as a percentage of revenue</i>	19.5 %	14.4 %	15.1 %	14.9 %	18.0 %	15.1 %	14.4 %
GAAP total operating expenses	\$42,112	\$44,218	\$50,070	\$51,100	\$64,178	\$68,468	\$82,342
Stock-based compensation	2,703	2,905	3,954	4,303	7,751	10,184	12,008
Charitable contributions	—	—	—	—	—	—	754
Non-GAAP total operating expenses	<u>\$39,409</u>	<u>\$41,313</u>	<u>\$46,116</u>	<u>\$46,797</u>	<u>\$56,427</u>	<u>\$58,284</u>	<u>\$69,580</u>
<i>Non-GAAP total operating expenses as a percentage of revenue</i>	124.0 %	110.4 %	109.1 %	95.9 %	106.5 %	95.6 %	102.0 %
GAAP operating loss	\$(22,704)	\$(20,562)	\$(21,890)	\$(17,967)	\$(28,634)	\$(27,155)	\$(35,227)
Stock-based compensation	3,369	3,664	4,836	5,258	8,906	11,978	14,408
Charitable contributions	—	—	—	—	—	—	754
Amortization of acquired intangibles	47	47	47	47	4	—	—
Non-GAAP operating loss	<u>\$(19,288)</u>	<u>\$(16,851)</u>	<u>\$(17,007)</u>	<u>\$(12,662)</u>	<u>\$(19,724)</u>	<u>\$(15,177)</u>	<u>\$(20,065)</u>
<i>Non-GAAP operating margin</i>	(60.7)%	(45.0)%	(40.2)%	(25.9)%	(37.2)%	(24.9)%	(29.4)%

	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	Q1 FY18	Q2 FY18	Q3 FY18
GAAP net loss	\$ (22,753)	\$ (20,601)	\$ (21,931)	\$ (18,224)	\$ (28,901)	\$ (27,002)	\$ (33,778)
Stock-based compensation	3,369	3,664	4,836	5,258	8,906	11,978	14,408
Non-cash charitable contributions	—	—	—	—	—	—	754
Amortization of acquired intangibles	47	47	47	47	4	—	—
Non-GAAP net loss	\$ (19,337)	\$ (16,890)	\$ (17,048)	\$ (12,919)	\$ (19,991)	\$ (15,024)	\$ (18,616)
GAAP net loss per share	\$ (1.22)	\$ (1.10)	\$ (1.14)	\$ (0.93)	\$ (0.73)	\$ (0.29)	\$ (0.35)
Stock-based compensation	0.18	0.20	0.25	0.27	0.22	0.13	0.15
Non-cash charitable contributions	—	—	—	—	—	—	0.01
Amortization of acquired intangibles	—	—	—	—	0.01	—	—
Non-GAAP net loss per share	\$ (1.04)	\$ (0.90)	\$ (0.89)	\$ (0.66)	\$ (0.50)	\$ (0.16)	\$ (0.19)
Weighted-average shares used to compute net loss per share	18,574	18,802	19,174	19,596	39,783	93,576	95,474

Okta, Inc.
Calculations of Key and Other Selected Metrics - Fiscal Quarters
(in thousands, except percentages and customer/headcount data)

	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	Q1 FY18	Q2 FY18	Q3 FY18
Calculated Billings							
Total revenue	\$ 31,787	\$ 37,436	\$ 42,283	\$ 48,820	\$ 53,007	\$ 60,995	\$ 68,238
Add:							
Deferred revenue (end of period)	81,962	90,981	99,818	113,723	120,644	131,326	141,648
Less:							
Deferred revenue (beginning of period)	(79,525)	(81,962)	(90,981)	(99,818)	(113,723)	(120,644)	(131,326)
Calculated billings	<u>\$ 34,224</u>	<u>\$ 46,455</u>	<u>\$ 51,120</u>	<u>\$ 62,725</u>	<u>\$ 59,928</u>	<u>\$ 71,677</u>	<u>\$ 78,560</u>
<i>y-y growth</i>	54 %	65 %	67 %	69 %	75 %	54 %	54 %
Trailing 12 months calculated billings	\$ 130,002	\$ 148,307	\$ 168,902	\$ 194,525	\$ 220,228	\$ 245,451	\$ 272,891
<i>y-y growth</i>	66 %	67 %	63 %	65 %	69 %	66 %	62 %
Free Cash Flow and Margin							
Net cash used in operating activities	\$ (15,035)	\$ (11,838)	\$ (8,526)	\$ (6,702)	\$ (9,686)	\$ (6,238)	\$ (9,471)
Less:							
Purchases of property and equipment	(927)	(2,102)	(1,618)	(1,606)	(2,448)	(2,708)	(414)
Capitalized internal-use software costs	(1,232)	(1,093)	(1,667)	(1,497)	(1,208)	(1,535)	(1,329)
Free cash flow	<u>\$ (17,194)</u>	<u>\$ (15,033)</u>	<u>\$ (11,811)</u>	<u>\$ (9,805)</u>	<u>\$ (13,342)</u>	<u>\$ (10,481)</u>	<u>\$ (11,214)</u>
Free cash flow margin	(54)%	(40)%	(28)%	(20)%	(25)%	(17)%	(16)%
Customer Data							
Total customers	2,450	2,650	2,900	3,100	3,350	3,650	3,950
<i>y-y growth</i>	58 %	51 %	45 %	41 %	37 %	38 %	36 %
Customers with ACV above \$100,000	300	354	401	443	493	539	603
<i>y-y growth</i>	83 %	87 %	83 %	74 %	64 %	52 %	50 %
Dollar-based retention rate for the trailing 12 months ended	120 %	120 %	124 %	123 %	123 %	123 %	123 %
Headcount							
Total headcount	713	792	843	898	1,020	1,096	1,141
<i>y-y growth</i>	54 %	48 %	45 %	43 %	43 %	38 %	35 %