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PRESENTATION

Dave Gennarelli *Okta, Inc. - VP of IR*

(presentation)

Hi, everyone. Welcome to Okta's First quarter of Fiscal Year 2022 Earnings Webcast. I'm Dave Gennarelli, Vice President of Investor Relations at Okta. With me in today's meeting, we have Todd McKinnon, our Chief Executive Officer and Co-Founder; Mike Kourey, our Chief Financial Officer; Frederic Kerrest, our Executive Vice Chairman, Chief Operating Officer and Co-Founder; Brett Tighe, our incoming interim CFO; and Eugenio Pace, CEO of Auth0.

Today's meeting will include forward-looking statements pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including, but not limited to, statements regarding our financial outlook and market positioning. Forward-looking statements involve known and unknown risks and uncertainties that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. Forward-looking statements represent our management's beliefs and assumptions only as of the date made. Information on factors that could affect the company's financial results is included in our filings with the SEC from time to time, including the section titled Risk Factors in our previously filed Form 10-K.

In addition, during today's meeting, we will discuss non-GAAP financial measures. These non-GAAP financial measures are in addition to and not a substitute for or superior to measures of financial performance prepared in accordance with GAAP. A reconciliation between GAAP and non-GAAP financial measures and a discussion of the limitations of using non-GAAP measures versus their closest GAAP equivalents is available in our earnings release. You can also find more detailed information in our supplemental financial materials, which include trended financial statements and key metrics posted on our Investor Relations website.

In today's meeting, we will quote a number of numeric or growth changes as we discuss our financial performance, and unless otherwise noted, each such reference represents a year-over-year comparison.

And now I'd like to turn the meeting over to Todd McKinnon. Todd?

Todd McKinnon *Okta, Inc. - Co-Founder, Chairman & CEO*

Thanks, Dave, and thanks, everyone, for joining us this afternoon. With our strong first quarter results and the recent closing of the Auth0 transaction, the new fiscal year is off to a fantastic start. There are so many exciting developments at Okta happening right now that I've never been more excited about the future and about our business. I'll start with a quick recap of our Q1 results and then get into some of

the other notable highlights, including the closing of the Auth0 transaction.

Our team has executed exceptionally well at helping customers and organizations safely secure access to technology from anywhere. While we are not yet in a normalized business environment, we are optimistic about the recovery. One thing is clear. The importance of identity will continue to accelerate as global economies continue to recover.

To highlight just a few of our first quarter financial metrics, RPO grew 52%. Current RPO grew 45%. Total revenue grew 37%. Subscription revenue grew 38%, and we generated a quarterly record \$53 million in free cash flow. We added a record 650 customers in Q1. Our base of large enterprise customers surpassed 2,000 with the addition of 125 customers with an annual contract value greater than \$100,000 in the quarter. Consistent with prior quarters, half of these \$100,000 ACV additions were from new Okta customers.

Here are just a few notable examples of large enterprise wins and upsells in Q1, which come from a wide range of industries. A fantastic new customer identity win was a Fortune 10 company that chose Okta as the identity layer for its new digital application. As part of a highly regulated industry, the organization needed to secure customer access and maintain data privacy while also providing a unified omni-channel experience for millions of customer interactions via the app and in-person. The Okta Identity Cloud will give the organization a unified 360-degree view of its customers. Okta's adaptive multi-factor authentication will allow the organization to build personalized contextual access policies, and Okta Lifecycle Management will automate progressive profiling and provisioning to ensure customers are only accessing the data they need.

A competitive workforce identity win was Western Health, an Australian hospital and community-based health care provider. Western Health selected Okta to secure the identities of its 6,500 staff as a part of its new identity and access management strategy to modernize its IT processes, deliver a better experience to its staff and provide a single source of truth for identity across the business. Western Health will also use Okta Access Gateway to secure access to the key legacy applications.

Land and expand is a key part of Okta's growth strategy. A great example of this is an upsell we closed with an existing workforce identity customer, Essilor Group, the world leader in ophthalmic optics. Leveraging Okta's SIEM capabilities, Essilor selected the Okta platform to manage its distribution partners' identities, helping the company to engage securely with their partners' eye care professionals.

A common thread with all of these customer examples is that their organizations can identify with at least 1, if not all 3 of the mega trends that have been driving Okta's business for the past several years, the deployment of cloud and hybrid IT, digital transformation projects and the adoption of Zero Trust security environments. Organizations are not just adapting to the pandemic environment but are retooling their digital strategy, and their shift to dynamic work environments will remain integral to their businesses going forward.

Also driving customer conversations are the frequent high-profile cybersecurity attacks. While this month, the Biden administration issued a presidential executive order on improving the nation's cybersecurity posture, which further highlighted the need for a solution like Okta's, the order states that the federal government must advance toward a Zero Trust architecture and explicitly states that government agencies must adopt MFA, which is critical to a Zero Trust environment.

We've had some great recent wins across the public sector and see growing opportunity, particularly with federal agencies given our existing FedRAMP moderate authorization and recent DoD impact level 4 provisional authorization. Achieving FedRAMP High is also on the near-term road map.

Turning to our recent product announcements. At our Investor Day last month, you heard me talk about the Okta Identity Cloud and the platform we're building. Our unified, extensible and integrated platform is our foundation to build incredible new products and features while also making those identity capabilities more accessible to everyone in an organization. This is why I'm so passionate about ensuring that Okta's platform enables us to become a primary cloud.

In a cloud-centric world, identity has become even more important and strategic than infrastructure or collaboration clouds because it is the connection to these other clouds. Identity is the epicenter of an organization's tech connections, and it offers freedom of choice to adopt any technology.

Expanding our use cases is an important component of becoming a primary cloud. The announcements we made at Oktane about broadening our capabilities in both privileged access and identity governance represent further expansion into the workforce identity market. Importantly, we're building privileged access for the way critical infrastructure is today and will be in the future, cloud deployed in just in time. And we're reimagining identity governance for a cloud-first world where the number of resources accessed by an organization has dramatically transformed. We've received positive feedback from customers as they are excited about our goal to unify identity with one control plane.

These are exciting developments, and I can't wait to update you on our progress. In the meantime, our core products in both customer and workforce identity continue to perform very well. Once again, growth in the quarter was led by our SIEM solutions. Customer interest in recently introduced products like Customer Identity Workflows remains strong, and we're seeing more success than ever with our organic SIEM business.

Of course, our presence in the SIEM market just took a game-changing leap forward with the closing of the Auth0 acquisition earlier this month. Okta and Auth0 have complementary strengths and expertise; and together, we can now give customers more choice to meet every identity need. In the short term, we're going to focus on integrating Okta back-end systems such as those around accounting and other administrative processes. On the product side, we are going to maintain and invest in both platforms. And over time, we'll be integrating our technologies to provide even more innovation to ensure that customers have a cohesive experience. Our main goal is to maintain the strong momentum we are experiencing in SIEM today across all offerings.

We've been a combined company for only a few weeks, and we couldn't be happier with the feedback we've received from customers and partners at both Auth0 and Okta. They are incredibly excited about the breadth of use cases and coverage we offer. Everything we heard has reinforced our belief that Eugenio and team have built a very special company. That energy and enthusiasm is also resonating inside our organizations; and as we expected, the cultures are very much aligned.

Since the closing of the transaction, we've been able to do more detailed analysis on our existing base of customers, and 2 things became very evident. First, there is even more opportunity to cross sell and upsell than expected. And second, there is a clear need for both the Okta low-code approach and the Auth0 developer-led approach to the SIEM market. Okta is well positioned to become the standard for digital identity. The Okta and Auth0 platforms are made up of core technologies that are flexible, extensible and incredibly customizable to make that spectrum possible. By building a platform that connects with everything and meets every identity use case, over time, we'll push the technology ecosystem to be safer and create more value for everyone.

Together, Okta and Auth0 create a powerful combination. We've strengthened our position as the world's leading independent identity cloud. We'll create even more powerful network effects that will drive platform innovation, allowing us to better serve our customers with a broader range of use cases and audiences. And as a result, we'll capture more of the massive and growing \$80 billion identity market opportunity even faster.

The world is still in the early stages of modernizing its identity infrastructure. The secular trends I mentioned earlier that have been driving our business will continue to drive our business for years to come. With that as a backdrop, we're establishing a new long-term financial target, which is a significant step-up from our prior FY '24 framework.

Given our market-leading position, unmatched technology portfolio and the massive market opportunity, we're confident that we can grow our revenue base to achieve \$4 billion in FY '26. With growth of at least 35% each year, along the way, we will continue to invest in driving product innovation and our go-to-market initiatives while targeting a free cash flow margin of 20% in FY '26. Of course, if we were to grow faster than these levels, we may elect to invest more while balancing free cash flow margins.

Before turning it over to Mike, I want to acknowledge his significant contributions to Okta. Over the 5-plus years, he was the Chair of our Audit Committee and for his leadership as CFO. Over the past several months, Mike has made a significant impact, especially with the acquisition of Auth0 and operational improvements that he's already implemented. While he'll be stepping down as CFO next week, we are grateful that he is staying on in an advisory capacity to assist with the transition. Mike will always be a friend and considered a

member of the Okta family, and we wish him all the best in his future endeavors.

We are initiating a search process to fill the position. In the meantime, I'm very happy to have Brett Tighe as interim CFO. Brett is our Senior Vice President of Finance and Treasurer. He's made countless contributions to Okta over the past 6 years. He also spent almost 11 years with growing responsibilities in the finance org at Salesforce. Having worked closely with Brett, I know that he is a terrific finance leader and has the experience to be a great CFO and will be considered in the search process.

Now I'll pass it over to Mike to share a few words and then discuss our Q1 financials in more detail.

Michael R. Kourey *Okta, Inc. - CFO*

Thanks, Todd, for those kind words. It has been my privilege to be a member of the Okta team since 2015, and I'm tremendously proud of the company's success today and the significant growth opportunities in the future for the company. Over the past several months, I've enjoyed the opportunity to work more closely with the Okta organization and much of the Auth0 organization. I could not be more impressed with the strategic and operational expertise of both teams. Notably, I've worked very closely with Brett since I joined the Board of Directors over 5 years ago and have worked with him shoulder to shoulder since I've been the CFO. Brett is a strategic thinker and has a deep understanding of Okta and the identity industry. I have immense respect for Brett, and I'm confident he will be excellent in the job.

Lastly, before I discuss our results, note that I will be signing our Q1 quarterly report on Form 10-Q, which will be filed later today. And as Todd mentioned, after next week, I will stay on as an adviser to the team to help ensure a smooth transition.

Now let's turn to our results. As a reminder, Q1 results do not contain any impact from Auth0 as the transaction closed on May 3. Following my review of the quarter, Brett will provide the business outlook, which will be inclusive of Auth0.

Regarding Q1, total revenue increased 37% driven by a 38% increase in subscription revenue. Subscription revenue represented 96% of our total revenue. RPO or backlog, which for us is contracted subscription revenue, both billed and unbilled that has not yet been recognized, grew 52% to \$1.89 billion. Current RPO, which represents subscription revenue we expect to recognize over the next 12 months, also experienced strong growth of 45% driven by continued strong demand and an uptick in early renewals. We believe year-over-year growth in current RPO is an important metric, especially when viewed along with the subscription revenue and billings growth. While we do not provide specific guidance for current RPO, we continue to believe that on an organic basis, excluding Auth0, current RPO growth will outpace subscription revenue growth throughout this fiscal year.

Total and current calculated billings grew 74% and 73%, respectively. Calculated billings growth in the first quarter was driven by 2 factors: first, Okta experienced strength across both new and existing customers as demand for our products remains robust driven by the macro trends that Todd mentioned earlier; second, we implemented operational improvements to our billings process in Q1, which conforms with the practices of other large SaaS peers. These 2 improvements are: one, we are now billing at contract signature rather than subscription start date; and two, subsequent annual payments are now due rather than billed on the anniversary date. This has a favorable effect on both billings and cash collections timing.

Note that even without these process improvements, calculated billings would have been \$293 million, representing growth of 40%. Going forward, we expect the effect of these changes to be much more modest.

Turning to retention. Our dollar-based net retention rate for the trailing 12-month period remained strong at 120% at the high end of our historical 115% to 120% range. It was down slightly from 121% last quarter as new customers represented a larger portion of total business this quarter. Gross retention rates remain consistent with Q4, reflecting the value of our product to our customers. Additionally, upsells, particularly with our enterprise customers, were very strong. As a reminder, the retention rate may fluctuate from quarter-to-quarter; and in the current environment, it's possible that fluctuations in retention rates may be more pronounced.

Before turning to expense items and profitability, I'd like to point out that I will be discussing non-GAAP results here going forward.

Now looking at operating expenses. Total operating expenses grew 38%. The growth in expenses was partially offset by reduced travel and office-related spend. Headcount growth accelerated to 28% to over 3,000 employees, with the biggest increase in our go-to-market team as we continue to scale globally.

We generated record cash flow from operations and free cash flow of \$56 million and \$53 million, respectively, which yielded a record 21% free cash flow margin. This is a terrific illustration of the leverage in our model. Free cash flow was driven by strong billings and collections during the quarter. Note that free cash flow was not impacted by the recent invoicing change as the change was implemented at the end of the first quarter. We ended the first quarter with a strong balance sheet, anchored by \$2.69 billion in cash, cash equivalents and short-term investments.

Now let me turn the call over to Brett to discuss our outlook.

Brett Tighe Okta, Inc. - Incoming Interim CFO

Thanks, Mike. Really appreciate the comments from both you and Todd. It has been a true pleasure to partner with you over the years, and I want to say thank you for all you have done for this company. I'm incredibly excited about the opportunity to step into this role.

Now let's get into our financial outlook for Q2 and FY '22. We closed the acquisition of Auth0 on May 3, and we'll include financial results from Auth0 for the period from the close date going forward. Current and prospective customers are even more excited now that Auth0 is part of Okta, and demand remains strong for both of our products.

This guidance is inclusive of Auth0 net of the purchase accounting adjustments. Keep in mind that Auth0 has a margin profile consistent with early-stage high-growth companies as it has been aggressively investing to capture the massive opportunity in SIEM. As the business scales, there will be opportunities for efficiencies.

For the second quarter of fiscal '22, we expect total revenue of \$295 million to \$297 million, representing growth of 47% to 48% year-over-year; non-GAAP operating loss of \$55 million to \$53 million; non-GAAP net loss per share of \$0.36 to \$0.35, assuming weighted average shares outstanding of approximately 154 million.

Given our strong Q1 results, we raised our organic revenue outlook for the full year beyond the Q1 beat and then added the expected contribution of Auth0. For the full year fiscal '22, we now expect total revenue of \$1.215 billion to \$1.225 billion, representing growth of 45% to 47% year-over-year. We also now expect non-GAAP operating loss of \$172 million to \$167 million; non-GAAP net loss per share of \$1.16 to \$1.13, assuming weighted average shares outstanding of approximately 150 million.

And while we don't provide explicit guidance for cash flow, given our strong cash flow generation in Q1, we now expect free cash flow to be slightly positive for the fiscal year. This is inclusive of integration and transaction-related costs, which is an improvement from the view we provided last quarter.

We had a great quarter and a great start to the fiscal year. We are extremely excited about closing the Auth0 transaction and accelerating our growth together. Okta has developed a strong foundation and market leadership position, and we are confident we will be able to achieve \$4 billion in revenue in FY '26 with growth of at least 35% each year while targeting a 20% free cash flow margin in FY '26. And as Todd mentioned, if we were to grow faster than these levels, we may elect to invest more while balancing free cash flow margins as we continue to capitalize on the massive market opportunity in front of us.

Now I'll turn it back to Dave for Q&A. Dave?

QUESTIONS AND ANSWERS

Dave Gennarelli Okta, Inc. - VP of IR

All right. Thanks, Brett. (Operator Instructions) So with that, we're going to go to Adam Tindle at Raymond James. Adam?

Adam Tyler Tindle *Raymond James & Associates, Inc., Research Division - Senior Research Associate*

First-time caller, long-time listener, so I appreciate you putting me first. I do have a question probably for Todd and Eugenio. In thinking about this Auth0 margin profile, how it's consistent with early-stage, high-growth companies, trying to think about a way to ask the question. Of similar size and scale to Okta circa 4 or 5 years ago, and when I'm comparing the implied operating loss for Okta at that scale versus Auth0, it looks like it's maybe 1.5x or more than that on an operating loss profile basis. So I guess the question would be what are the key similarities and differences that you've observed in the economic models of your own versus theirs. And how do you see the Auth0 profitability ramp versus Okta's from here?

Todd McKinnon *Okta, Inc. - Co-Founder, Chairman & CEO*

I think the first part of this answer will be just to know philosophically this is a growth business. So both Okta, organic, and Auth0, we're really, really investing for growth. This is a \$30 billion customer identity TAM, a very dynamic market. The stakes are very high to win this market. So we're being very -- just in our philosophy, we're being very aggressive. And I think that we're seeing tremendous success on the Okta side. And I'll let Eugenio comment about what they're seeing on the Auth0 side in terms of success.

Eugenio Pace *Okta, Inc. - Co-founder & CEO of Auth0*

Yes. I would agree with the same high-growth profile that was already described. This -- what I would add perhaps is what's different from us, it's what makes the combination even stronger, right? So we have a heavy international profile. In previous calls, we mentioned that a large percentage of our revenue originates outside the U.S., almost 50% of that in our case. We are also a developer-oriented company, which has a slightly different go to market, but it's also complementary to what Okta has been doing for years. And that's maybe a different audience and a bigger audience that we can now reach out jointly and continue to grow.

We have great Q1 -- our Q1. Our Q1 is slightly 1 month shifted from Okta's, but our Q1 was -- we beat the plan, and we are heading towards a really, really strong Q2 as well. So couldn't be more excited.

Todd McKinnon *Okta, Inc. - Co-Founder, Chairman & CEO*

And one thing I'll add there, too, to give you more color, we actually went back and looked at the comparison -- the past comparisons, kind of like what you did. I don't remember the exact numbers, but one of the qualitative differences between the 2 models was the developer model that Auth0 has been very successful for required spending a little bit ahead of when the actual revenue ramped because the developer got the word out there and started -- seeded a lot of deals, but it took an enterprise sales team to come in and really get that revenue engine running.

And that's why -- one of the many reasons we're so excited about the combination because we have a great enterprise sales team. Auth0 does as well. It's just not as big as ours. We're seeing a lot of -- in the first few weeks, we're seeing a lot of great synergy between how, over time, we'll really be able to leverage the sales teams together and make something much, much more than the sum of the parts.

Adam Tyler Tindle *Raymond James & Associates, Inc., Research Division - Senior Research Associate*

Very helpful color. Maybe just as a quick follow-up, Todd. The CFO search, big picture here. You have over \$2.5 billion of cash on the balance sheet. When I look at your financial targets that were updated, in fiscal '26, you're going to have nearly \$1 billion of annuity stream of cash that's highly recurring and resilient. So just wondering how you're thinking about key characteristics for the next CFO with that as the backdrop.

Todd McKinnon *Okta, Inc. - Co-Founder, Chairman & CEO*

I think the points you mentioned are definitely part of the equation. I would add that a significant M&A integration is -- the integration with Auth0 is very early, and it's very, very critical for the success of the company. So experience with that, it will be helpful. And I also think just high-growth dynamic, adaptable to change, because one thing about our industry, we're defining the future of identity. We're working hard to make sure that identity has its rightful place as a primary cloud in the ecosystem of every organization in the world. And that's something that hasn't been done before.

And past generations of technology, identity was really a part of other platforms. It was a part of Windows or it was a part of Oracle. We're making this first-class primary cloud, and that's different and unique. And so I think not just the CFO but the entire team has to be up for that challenge. And it's what invigorates me, and it's what invigorates the whole team. So that's an important part of it as well.

Adam Tyler Tindle *Raymond James & Associates, Inc., Research Division - Senior Research Associate*

Appreciate the details, and congrats on a strong start.

Todd McKinnon *Okta, Inc. - Co-Founder, Chairman & CEO*

Thank you.

Dave Gennarelli *Okta, Inc. - VP of IR*

Next, we're going to go to Keith Bachman at BMO.

Keith Frances Bachman *BMO Capital Markets Equity Research - MD & Senior Research Analyst*

I wanted to ask a question that was just asked a little more directly. Can you tell us what the revenue contribution is for FY '22 and also what the cost structure that you're layering into? Most companies when they do a deal provide this information. I'm a little confused on just why you're not laying it out more explicitly.

Todd McKinnon *Okta, Inc. - Co-Founder, Chairman & CEO*

It's good feedback. I'll pass it on to Brett to talk about the model, try to give you some more color there. But just in general, we felt this was the best high-level way to communicate the business. And then as we get feedback and as we go forward, we'll break other things out as we need to, but that's kind of the high-level thinking on it.

Brett Tighe *Okta, Inc. - Incoming Interim CFO*

Yes. Thanks, Todd. So I think a few things to keep in mind when we're talking about the revenue components. First and foremost, like we said, Q1 for Okta standalone was really solid, and we believe that strength is going to continue for the balance of the year. And so that's embedded in the revenue guide. We would have -- had we been a stand-alone company, raised the year not just for Q1 but also for Q2 to Q4.

And then just like Eugenio was saying, from an Auth0 perspective, they're tracking really well toward the goal that we've spoken about previously of being greater than \$200 million in ARR by the end of the year. And so that's embedded into the revenue guide as well.

And then one thing we did talk about is also the deferred revenue haircut. As we -- as you guys know, we just closed the deal 3 weeks ago. And so we've got an estimate embedded in the revenue guide, but -- and we're going to work through that with our auditors over the next few weeks, and we'll give you a little more color when we do Q2 earnings.

And then on the margin side of the house, once again, Q1 Okta standalone had a great quarter, and we believe that's going to continue for the balance of the year. And it's just -- we're really pleased with the performance from Okta by itself. And then like we just were talking about, Auth0, obviously, we're going to invest and do a massive opportunity on the SIEM side of the house. And then also what's great about Auth0, not only are they helping us with the \$30 billion SIEM market, but there's also the cross-sell opportunity into the \$50 billion workforce market as well.

And then obviously, the purchase accounting of deferred revenue and all the regular kind of standard acquisition accounting is putting a headwind on that operating margin, but I think the one -- I think another thing that would be a real positive for this group is, previously, we had talked about free cash flow being slightly positive without the acquisition and integration expenses. And now we're saying it's with -- it will be slightly positive with acquisition and integration expenses. And as this group knows, those can be fairly sizable, so some really nice progress from a margin perspective and on that side.

Keith Frances Bachman BMO Capital Markets Equity Research - MD & Senior Research Analyst

Okay. I mean my 2 cents would be the next time you come on, as I think investors would certainly appreciate some cadence on what the organic growth was, whether it's billings or revenues or what have you. Todd, maybe a question for you if I could sneak my second one in. Could you just talk a little bit about the competitive landscape? And it could be with Auth0 or without. But I'm just wondering are you seeing anything more from Microsoft, particularly in the mid-market category? Are you seeing your win rates changed? Any more at-bats for Microsoft versus your at-bats? I'm just wondering if you could speak more broadly to the competitive landscape, also recognizing that Auth0 is now part of your arsenal. So hopefully, you can include that in your response.

Todd McKinnon Okta, Inc. - Co-Founder, Chairman & CEO

The competitive landscape has largely been vis-à-vis the major platform players like Google and Amazon and Microsoft, has largely been consistent the last 5 or 6 years. Ever since Microsoft launched a product, I think -- it's going on now 7 years now, 7 or 8 years ago. And not -- for Okta, when they launched their competing product, it was scary at the time, but it was really the best thing that ever happened to us. It really validated this concept of identity being this primary system that people had to invest in. So we haven't seen a change there.

It's interesting. I think, in general, Microsoft is weaker -- relatively weak in the mid-market for their identity business. So as mentioned -- it mentions -- it's interesting that you had mentioned that you had a question about them being strong there. I would say I would call that out as a weakness of Microsoft, being the smaller companies in the mid-market. Maybe it's because of their channel. Maybe it's -- I don't know why, but they've tended to not show up well -- very well in that segment.

The question about Auth0, the competitive dynamic on customer identity is really it's a build versus buy conversation. And one of the -- if you think about the market's \$30 billion, we're going to get to some of it with our low-code approach with Okta organic SIEM, but a lot of that \$30 billion was -- would have gone to people building their own solutions. And that's the power of this from the ground-up developer-centric approach. We really increased the capability to take on some of those projects that would have been build your own. And then that leads to a virtuous cycle of we get that customer. Maybe we can sell them our Advanced Server Access product. Maybe we can sell them our Okta Access Gateway. Maybe they need workforce. So not only as Brett was saying that the developer approach with Auth0 helped us in that \$30 billion customer identity TAM. It also gives us a foothold to provide more customer value and sell more products then over time.

Eugenio Pace Okta, Inc. - Co-founder & CEO of Auth0

And Keith, if you think about it, the only companies that really can afford to start from scratch and not think about this problem as an existing problem, it's small start-ups, companies that just start today. Anybody else already has a solution deployed, right? And so in our deals with customers, everybody has its own thing already.

And some of the pushback that we saw in the past has gone away because the realization that they can do better than us with all the resources that we put in one solving this problem has gone away. The problem is getting complex. Attacks are getting more sophisticated. More things are being moved to the digital world. And so just the notion that adding a little bit more effort and fixing your existing system, home build system to deliver on today's requirements, it's just going away very quickly.

So what we are seeing on our side of the world from a more developer perspective is very consistent to that. The top -- #1 competitor still is the, "I already build this. Can I just put a little more effort and make it work?" The answer is, of course, no.

Dave Gennarelli Okta, Inc. - VP of IR

All right. Next up, we're going to go to Taz at Guggenheim.

Imtiaz Ahmed Koujalgi Guggenheim Securities, LLC, Research Division - Director of Technology, Media & Telecom and Analyst

I have question about the impact of Auth0 on the billings number. I know you gave us the impact on revenues. But given the deferred revenue write-down, I would assume that the impact on billings would be higher than the revenue impact. Is that a fair statement that your growth impact on billings would be more than on revenues from Auth0?

Brett Tighe Okta, Inc. - Incoming Interim CFO

Yes, Taz. Let's talk about kind of how to think about billings for Q2 and FY '22. So a couple of things going on there. Just like I said, on revenue and margin, Okta continues standalone to do very well there, so obviously, as shown by the 40% Q1 billings growth, which we're very pleased with, and then obviously, that's excluding the operational billings change.

And so a couple of things for Q2 to Q4. That operational billings change, that's going to continue. Now it's not going to be that large. Q1 was the biggest impact of any quarter really going forward. But Q2 into perpetuity will continue to modestly help us along because we're bringing billings forward and then, obviously, free cash flow, bringing that forward as well.

And then the other side, obviously, Auth0 will be layering that on top. And when we talk billings with you in the future, we're going to talk net of any acquired deferred revenue. So when you think about the billings number, obviously, Auth0 will add a bunch of DR into the number for Q2. We're going to back out any acquired DR so we can get a true more operational billings number.

And when you think about billings in terms of growth going forward, we typically talk about it in relation to subscription revenue growth. And because of all those impacts that I just described in Q2, I'd probably say mid-single digits that billings growth will be higher than subscription revenue growth. And then for FY '22, primarily due to the Q1 operational change, that number will probably be high single digits of delta between billings growth and subscription revenue growth for FY '22.

Imtiaz Ahmed Koujalgi Guggenheim Securities, LLC, Research Division - Director of Technology, Media & Telecom and Analyst

And just one more follow-up. Can you just comment on the deferred revenue right now you're assuming for Q2? Like what is the -- what would have been the normal run rate of revenue for Auth0? And then how much haircut are you assuming in your guidance for Q2?

Brett Tighe Okta, Inc. - Incoming Interim CFO

Yes. So the deferred revenue haircut, we've just obviously done the transaction a little over 3 weeks ago. We think it's probably in the range of plus or minus 20%, but we're going to work that out over the next couple of months before we talk to you guys after Q2.

Imtiaz Ahmed Koujalgi Guggenheim Securities, LLC, Research Division - Director of Technology, Media & Telecom and Analyst

And does that go away completely in Q2? Or do we have some lingering write-down in Q3 and Q4 as well?

Brett Tighe Okta, Inc. - Incoming Interim CFO

No. It'll linger along primarily because Auth0 being, in a lot of ways, very similar to Okta, they annually bill a lot of their customers. And so as you know, if it's billed DR, it's more annual in nature. So it will last likely into Q1 of FY '23. Obviously, the impact will be less in 2023, but you guys know how the mechanics work.

Dave Gennarelli Okta, Inc. - VP of IR

Next, we're going to Ittai at Oppenheimer.

Ittai Kidron Oppenheimer & Co. Inc., Research Division - MD

Great quarter. Todd, I want to go back to the prepared remarks a little bit, and I think you mentioned that you see more opportunities now to cross sell with Auth0 versus what you expected in our last update. Maybe you can give us a little bit more detail of what else did you find in there after you started digging in?

Todd McKinnon Okta, Inc. - Co-Founder, Chairman & CEO

There's a few things. First, we had an assumption about this \$30 billion SIEM TAM. They're going after it with the developer-led approach. We're going after it with a low-code approach. We had an assumption that there wasn't much overlap between those 2 customer bases and prospects, and that's been validated.

One thing we can do in the first 3 weeks is we get -- finally get to see how the customer lists and the pipelines and so forth. So there's very little overlap there, which means it really validates our thesis that these are 2 distinct parts of this \$30 billion market. So that's really exciting.

So the second thing we're doing is we're collaborating very well at the go-to-market level to make sure where there is overlap in a prospect, we're quickly leading with the right solution. So we're not trying to sell low code to someone that wants developer and developer that someone wants low code. So there's that synergy there.

Then the other 2 things I'd call out is Okta has a couple of products. One is Advanced Server Access, which is the foundation for our PAM product that's going to be released in a few quarters. That is really perfect for dev shops, for people that are -- have a lot of Linux servers, that are dynamically starting servers, stopping servers, which really is overlapping with the Auth0 customer base. So we think there's a big, exciting upsell opportunity for our ASA and PAM products into the Auth0 customer base.

And also on the Okta Access Gateway, this is a product that has been really helpful in helping us, especially in large enterprise, sell to companies that have hybrid IT. Auth0's customer base has the same challenge, and we think that's got a big opportunity to cross sell that as well. So those are some of the specifics. And I know Eugenio has been working on this close as well. He can -- he probably has some more things -- anecdotes he can share.

Eugenio Pace Okta, Inc. - Co-founder & CEO of Auth0

Yes. Look, we only had like 3 weeks. It feels like 3 years already, but it's only been 3 weeks that we were able to kind of look into details, and our teams are uncovering tons of opportunities. Todd mentioned integration with ASA, server access, with the Okta Application Gateway. There's opportunities between B2C and -- sorry, B2B and B2E, so workforce and business identity. So there's tons of connecting points that are -- that we are uncovering together.

But perhaps, what's even more interesting and exciting, frankly, is not just our teams finding those connecting points. In many cases, it's our customers that say, "Hey, can we use ASA here? I'm already using Auth0 for protecting my apps. Can I use ASA on my DevOps team?" And so what is really exciting is that the excitement is not just on our side, which is also, of course, great to see, but it's also great to see with our customer base. And they are coming up with already opportunities of synergies.

Ittai Kidron Oppenheimer & Co. Inc., Research Division - MD

Right. That's great to hear. Maybe as a follow-up, Todd, also in your prepared remarks, you mentioned that workforce identity performed to your expectations. But it certainly feels like, I mean the way you described it, it was not a source of upside. So maybe you can comment on what is the growth rate at this point in your workforce business? What is it down to? And how do we think about progress in that business -- growth in that business going forward from here?

Todd McKinnon Okta, Inc. - Co-Founder, Chairman & CEO

Yes. Both of our organic businesses are very strong. The growth number -- the subscription revenue was 38%. Billings was a little bit north of that. So they're both doing really well. I think that the workforce product continues -- you saw the -- I mean you saw the numbers. The large transactions over \$100,000. Particularly one strong point was our advanced Lifecycle Management product, which is exciting because it's -- it gives our customers more power, and it helps automate more of their processes, but also it is the foundation for our upcoming identity governance product.

So Lifecycle Management is the foundation for Identity Governance. ASA is the foundation for PAM. So these products doing well is a good harbinger of success in those broader product categories, which is important for this concept of we're really trying to build the primary cloud for identity. So every use case customer has, whether it's customer identity, whether it's building an app, whether it's B2E, B2C, whether it's privileged access, whether it's IGA, whether it's workforce, we want to be that vendor, that primary cloud for them.

And when you talk to customers, it's really resonating with them. This is a very complex landscape. They want all the use cases covered. They want answers on how it should work. They want to be steered through this complex landscape in a way that will be predictable and high value.

And then you -- another really good trend for the -- I mentioned in the prepared remarks as well for the workforce business is what's happening in public sector. You have a public sector environment that's very strong. We've talked about -- in the press release recently,

we've talked about the state of Iowa. We -- and if you look at what's happening in the federal government, the Biden administration basically told every federal agency they have to have multifactor authentication. It's like the perfect storm for Okta there in terms of having the right product at the right time. And as at the same time, federal agencies have to go to cloud and have to do Zero Trust.

I was meeting with the Chief Security Officer at a very well-known 3-letter agency. And the meeting was kind of -- they're a customer of Okta in a couple parts of their agency and subparts. So I'd met with them before, but I got an urgent meeting request from the CIO of the entire agency, and the CISO was there as well. And basically, what they were saying is it sounded like -- and literally, a marketing script that Okta would say. They said we were a victim of SolarWinds. We're worried about these other attacks, these exchange leaks, these exchange tacks -- these exchange attacks, et cetera. We have to go to Zero Trust, and identity is at the core of it all. And it was just a really good sign of how big the workforce opportunity is. When you put that together with the other product areas we're doing, the future is very, very bright.

Ittai Kidron *Oppenheimer & Co. Inc., Research Division - MD*

That's great. I'll echo Keith's comments. We only need details on Auth0 numbers. So hopefully, we'll get some.

Todd McKinnon *Okta, Inc. - Co-Founder, Chairman & CEO*

That was another vote for that. Is that what I heard?

Ittai Kidron *Oppenheimer & Co. Inc., Research Division - MD*

Yes.

Todd McKinnon *Okta, Inc. - Co-Founder, Chairman & CEO*

Do we have a voting feature on Zoom?

Dave Gennarelli *Okta, Inc. - VP of IR*

All right. Next up, we're going to Rob Owens at Piper.

Robbie David Owens *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

Great. Todd, you stole a little bit of my thunder. I was hoping you could elaborate on what you guys are seeing from a public sector standpoint. And maybe you can break out, did Auth0 have much of a public sector presence? And for Freddy, since he seems lonely, been smiling, I'll call, in my Brady Bunch windows here, just talk about channels to market for public sector and what you guys have in place.

Jacques Frederic Kerrest *Okta, Inc. - Co-Founder, Executive Vice Chairperson & COO*

Yes. Absolutely. Thank you for the opportunity. I was just sitting here and really enjoying the conversation, taking some notes on my own. So happy to participate actively. I appreciate the opportunity, Rob.

Yes. So certainly, when it comes to -- just to expand a little bit on Todd's commentary there. Certainly, things are going very well, and we think the opportunity in the public sector, both federal, state and local, are very, very good. We talked a little bit about the federal business. It's important to remember that federal authorizations are not something you can flip the switch on overnight. We've been working on them for years.

So we have existing FedRAMP Moderate authorization today. We just got DoD Impact Level 4 provisional authorization, which we announced today as well. And FedRAMP High is on the near-term road map. So you've got the Biden administration issuing this presidential executive order saying, hey, we have to improve the nation's cybersecurity posture. He orders that the states -- the federal government has to advance towards Zero Trust architecture and explicitly states they have to buy MFA. So conveniently, they have to do that from an approved vendor, so obviously, that puts us in a pretty spot, number one.

Number two, when you think about what -- not just the private sector but the public sector is trying to do, they're trying to consolidate -- and you heard a little bit the story that Todd was just telling you, but that's replayed over and over. They're trying to consolidate. They're not trying to get more vendors. They're trying to find the right vendors they can build the right relationships with. And if you look at

whether it's dollar-based net retention or new logo acquisition or the customer momentum press releases or otherwise, you clearly see that we're on our way to becoming a primary cloud.

We're expanding our use cases, which is an important component of becoming that primary cloud. We're broadening our capabilities in workforce with PAM and IGA. We're expanding with SIEM and SIEM workflows and obviously the Auth0 transaction, and identity is becoming the epicenter of the organization's -- of every organization's tech connections.

Gartner has even come around. They recently noted in their state of access management conference last week or the week before, they see clear convergence of identity as a foregone conclusion. So they're saying every organization is going to be buying access management, IGA, PAM and possibly even fraud detection down the line from one vendor. That's our goal.

So look, as an entrepreneur, 12 years in, it's a \$1 billion revenue business growing. What's current RPO? 45% year-over-year. I'm very excited about that. Then I look at an \$80 billion TAM, and it feels like a quaint, small business compared to what it can be.

So we're very excited about the results. It's another strong quarter, but we're focused on what's going to happen in the quarters and, frankly, the years ahead, and I think that's the exciting opportunity that we're really leading into.

And then finally, on the last piece about channels. Yes, I mean, in particular, for public sector, Susan St. Ledger, who recently joined as our President of Worldwide go to market, is doing an amazing job in bringing a lot of kind of next level thinking to our business. And that's certainly a place that we've talked about a bunch, and she's already started to make some moves.

So when it comes to federal, in particular, public sector in general, certainly, we're continuing to have success. You saw the press release today about the success state of Iowa's having. But if you roll back a couple of quarters, same is true for state of Montana, state of Illinois. And then when you look at state and county, whether it's Maricopa County, whether it's Clark County, you go down the list, they're all finding better ways to use the Okta Identity Cloud for their citizens and their employees. And I mean who's got a bigger budget than the public sector? So I think it's a huge opportunity for us and one you're going to see us continue to invest in the times ahead for sure.

Robbie David Owens Piper Sandler & Co., Research Division - MD & Senior Research Analyst

Great. And quick one for Brett. Were you profitable? Come Q2, what would be the fully diluted share count you would be looking at?

Brett Tighe Okta, Inc. - Incoming Interim CFO

We have about 170 million.

Robbie David Owens Piper Sandler & Co., Research Division - MD & Senior Research Analyst

170 million.

Brett Tighe Okta, Inc. - Incoming Interim CFO

Yes.

Dave Gennarelli Okta, Inc. - VP of IR

Okay. Next, we're going to Jonathan Ho at William Blair.

Jonathan Frank Ho William Blair & Company L.L.C., Research Division - Technology Analyst

I wanted to ask, I guess, Mike, I think some investors would like a little bit more clarity on why you're stepping down after a relatively brief period in the seat. So could you maybe help us understand the timing and the rationale for the decision?

Michael R. Kourey Okta, Inc. - CFO

Thank you, Jonathan. Yes, as I mentioned, I've been on the Board, and as Audit Chair, I was starting in the fall of 2015 all the way through December of '20. So more than 5 years. Just having a terrific opportunity with Okta as they went from private to public and scale

dramatically, obviously, over that period of time. In that call, I think we guided for the first time over \$1 billion in revenues. Of course, guide's up quite a bit now. So that's been a fantastic experience. And Okta, one of the finest companies on the planet and the management team, I would say the same.

Since I've been in as CFO, I've had the opportunity working very closely with the team, continuing honestly but even deeper with Brett, certainly, shoulder to shoulder. Excited about Brett having this role going forward. And I'm staying on as an adviser to the company. Todd has asked me to do that, and I'll be involved as an adviser in the future as well.

Jonathan Frank Ho *William Blair & Company L.L.C., Research Division - Technology Analyst*

And then can you talk a little bit about some of the traction that you've gotten with your privileged and GRC solutions. And I mean I know it's early in terms of revenue contribution. But can you just give us a sense of maybe how often you're seeing that bought as part of a bundle or out of an initial purchase?

Todd McKinnon *Okta, Inc. - Co-Founder, Chairman & CEO*

So the way to think about this is the Advanced Server Access product that we've had in market for a little bit, like 1.5 years, is the foundation for PAM, and we're expanding that out over the next couple of quarters, and then we're going to release the full PAM product in the first quarter of next year. Same is for the Advanced Lifecycle Management module. We've had that for a few -- about a year now. Before that, we had regular Lifecycle management. And we're going to be expanding that out over the next few quarters, and that will be the first IGA product that we'll have in the first quarter of next year as well.

So the -- there's 2 things that are really good science for these products going forward. One is the result of both of these -- the Advanced Server Access and the Advanced Lifecycle Management. And I called out Advanced Lifecycle Management particularly as a strength in Q1. That product is -- did really well as people invest in automating more of the provisioning and the deprovisioning and want to get a better automated process around what's happening with their identities across their enterprise.

And then the second thing is just the reception from customers. The reception from customers, when we talked about these products, it was, "Thank you. This is a no-brainer. We want this unified control plan. We want that integrated directory to the MFA, to the -- everything Okta does today for us." And also, we don't want the -- we call them PAM, and we call them IGA, but we believe fundamentally that these markets are shifting. And just like 10 years ago, Okta came with this new approach to identity. This was cloud-centric approach with this pre-integrated catalog, very easy to use, very easy to adopt, changed the whole industry. None of the solutions were like that. We see the same thing happening for this IGA and the PAM market.

There's vendors there. They're good companies like CyberArk or SailPoint, but they're not what we're building. They're legacy software companies. And they have good businesses doing that. But we think when you look out 5 or 10 years, the massive winner and what will become the PAM and IGA categories won't be legacy software companies. Just like if you look around the rest of technology, the winners in the next 5 to 10 years aren't going to be legacy software companies.

So that's the lens we're bringing to it. It's this converged integrated approach across core identity, IGA and PAM for a cloud-centric world. And that's why we're so bullish and excited about this opportunity. And customers, based on feedback, share that enthusiasm. We'll have to see once we get the products out. We'll report back about how they're doing, but that's how we see it right now.

Jacques Frederic Kerrest *Okta, Inc. - Co-Founder, Executive Vice Chairperson & COO*

Yes. I was just going to add to that. As Todd said at the end there, it's not as though we're seeing ivory towers coming up with these ideas. I mean we are a very customer-driven company. We listen very closely to customers. Of course, we have our own thesis on where things are going, and you see what the mega trends are about cloud and hybrid IT. I mean I think everyone on this call understands where the future of enterprise software is going. It's clearly not going back to on-premises legacy software. But we also listen closely to our customers. They've been asking for this kind of solution for a long time. It makes a lot of sense.

Like if you bring all of your identity information and you put it in the cloud, in the public cloud, in a service like Okta, you're not then going to want to bring -- what is IGA and what are PAM? PAM, you could argue that privileged access, basically in the cloud world, every access

is privileged access, especially based on the security threats that we're seeing that are increasing these recent security events. So everyone's going to think about every access is privileged access, first of all.

And then second of all, when you think about identity governance, what is it? It's basically derivative information off of core identity. It's not its own information. It's like reporting the news of what happened with your identity. If you've brought all of your identity into the public cloud, it makes sense that, over time, you're going to stop bringing all that identity information back on-premises to run a bunch of reports to give to your auditors.

And as customers are getting into that mode for both workforce, their employees, contractors, consultants, but also customers, right, if they're in highly regulated industries, financial services, whether it's HIPAA constraints, they want to make sure that all that customer information that's running in the cloud, they need to run reports on that as well, and the governance happens there, too, it's going to run as a public cloud service, and it's going to be very tightly tied to your core access management service.

Todd McKinnon Okta, Inc. - Co-Founder, Chairman & CEO

You can ask 2 questions, but we can give you 2 answers. Those are the rules.

Dave Gennarelli Okta, Inc. - VP of IR

Next, we're going to go to Matt Hedberg at RBC. Matt?

Matthew George Hedberg RBC Capital Markets, Research Division - Analyst

Another vote for additional Auth0 disclosures for those keeping track at home. I guess, Freddy, another one for you, maybe and I guess, certainly for Todd. But SIEM gets all the attention these days, I think, rightly so, but I wanted to ask about the workforce identity opportunity. I mean I think that -- I guess some out there feel that maybe some of that replacement opportunity from a legacy perspective slowed last year due to COVID. I mean do you think, a, that was true? And b, do you think there could be an acceleration in workforce identity replacement deals? I'm talking like a legacy -- the legacy sort of version or gen 1.0 workforce identity players.

Jacques Frederic Kerrest Okta, Inc. - Co-Founder, Executive Vice Chairperson & COO

Yes. Thanks for bringing that up. I know we've given a lot of run to customer identity and access management on this call and obviously makes sense given the Auth0 transaction that just closed a couple of weeks ago, but that's a very important one. When it comes to workforce identity, first of all, it's where we started. So if you go back to the TAM that we have when we started -- when we went public, the TAM in the S-1 registration document was \$18 billion, and that was entirely workforce. And it's very easy to understand why. If you go back and you look at enterprise identity, historically, if you call a large organization, they've got a budgeted line item because it's been, like you said, a legacy piece of software, an Oracle, an IBM suite, an RSA suite, a CA suite.

What's going to happen -- and it's still a huge TAM. It's the biggest part of our TAM. So take out PAM and IGA. Take out SIEM. It's still \$35 billion, and that number is growing, and it's going to continue to grow because people are thinking about more and more ways to adopt technology and adopt software to improve their processes. So first of all, the answer is absolutely very important.

Second of all, your question about did it slow a little bit last year, I don't think so. I think people are just trying to react. And so the first thing they're trying to do, if you remember a few quarters ago, our MFA usage went through the roof, and people started buying a lot of MFA because instantly everyone got shipped home. But what's happening is as people are starting to go back into these hybrid environments or back into the office, intelligent CXOs, 4 thinking CIOs, 4 thinking CTOs, been around the industry a long time and/or have a lot of political capital inside their own companies realize this is 1 of those technology leapfrog moments. And I think what you're going to see is, over the coming quarters and the coming years, this workforce identity management is going to continue to be a great business. Over the next 3, 5, 10 years, we are going to slowly replace all of the legacy software that's out there, and we're going to eat into that TAM.

Our business is not about a show up in a rip-and-replace forklift upgrade of your Oracle stuff. We don't show up to a CIO and say, oh, yes, well, here's what's kind of happening. You pay us \$50 million, and then maybe 18 to 24 months from now, you're going to see some value. That's not how our business works. Our business works, we show up. We say, "Look, your stuff's running today. It's running

mainframe. Don't touch it. What are some of the exciting new opportunities that you have that your existing infrastructure is not working for? Perfect. Let us help you with that." We show them value in a quarter or 2. We start to build that relationship. And then 12 or 24 months later, we've earned the right to go back to them and say, "Okay, now you know a little about us, our platform, our company, how we work. Now let's talk about the road map to turn the lights off on Oracle Identity and Access Manager or IBM TIM and TAM or whatever you have over the next 24, 36 months, and we're going to go slow and steady."

And you see the examples time and time again, whether it's Federal Express, which we've talked about, which continues to expand their deployment wall to wall; whether it's T-Mobile, especially as they do acquisitions, like Sprint and they're still doing that consolidation, expands our deployment and slowly gets rid of all that infrastructure. And that's going to continue through all the -- it's going to continue to roll through.

The final thing is the stencil is really understandable. If you're a sales rep and you show up, you're like, "What am I selling? Oh, perfect. Universal directory. I've got authentication. I've got Lifecycle Management that's going to become PAM or IGA. I've got all these tools. I understand how it works. I can call these customers, and they get it." SIEM, it's a little more nuanced because a lot of it is build your own. And so you have to get people to understand why they should take it off the shelf and how it kind of goes. Obviously, the business is going well. It's growing fast, but the stencil to ramp new reps and get them to take out workforce legacy deployments over the next 5, 10 years, that is a stencil that we're very excited about, and I think you're going to continue to see a lot of great progress there.

Dave Gennarelli *Okta, Inc. - VP of IR*

Great. I know we're running short on time, but we are going to go into overtime. We're going to take a few more questions. This is good stuff. So Hamza, we're going to go to you, at Morgan Stanley.

Hamza Fodderwala *Morgan Stanley, Research Division - Equity Analyst*

Just a quick one for me from a go-to-market standpoint, either for Freddy or Todd. How are you guys preparing the go-to-market organization to sell into some of these adjacent categories like broader PAM and IGA ahead of the product rollout next year? Because, I mean, generally, I think these solutions tend to be a little bit higher in complexity. So what kind of approach are you taking? Is it a more direct approach with your own solutions consultants? Is it leveraging more of the partner ecosystem? Any color you can give us there?

Jacques Frederic Kerrest *Okta, Inc. - Co-Founder, Executive Vice Chairperson & COO*

Yes, for sure. Well, the first thing is the good news is it's not like it's coming out of left field. It's not like we're going to start selling flying cars all of a sudden, and reps need to figure that out.

When you think about what's happening with identity and the convergence of this infrastructure, you're starting to get convergence of identity as a foregone conclusion, use Gartner's statement, right, access management, IGA and PAM. And what that means is if you think about adjacencies, these are very natural adjacencies. First of all, it's all about the same stuff, identity. Second of all, a lot of times, it's the same buyer. Third of all, a lot of times, they're trying to consolidate. They're trying to find the right vendors. I mean you go and talk to some of these CISOs and CTOs and CIOS, and they're like, I have too many vendors. I need to find the right partners. And obviously, our results speak for themselves. We are becoming the right partner for more and more of these large organizations.

And so yes, we have to train our reps. They're going to have to learn a little bit of a new motion. Absolutely. But it's a similar buyer. It's something that's right in the line of fire of what they're doing today. And then finally, it's not like it's brand, brand new. I mean, obviously, PAM and IGA, they're going to be brand-new SKUs. They're going to be upsell. It's going to be net new revenue to the company for sure. But also today, we're selling Advanced Server Access. And people have been asking for a couple of years now, "Hey, if I look kind of askance at ASA, is that kind of a modern PAM solution?" It is but we're not thinking about what are the magic quadrants we're going to go take down. We're thinking about what are the customer solutions and where is the world going and how can we help them. So we're selling ASA today. It's doing well.

Lifecycle Management, we introduced the Advanced Lifecycle Management SKU last year. It did phenomenally well. I mean it sold like hotcakes. It beat all of our internal plans, and I think that's continuing. Now we're going to obviously transition that over to SIEM and provide that for Auth0, which is going to be great. But that Advanced Lifecycle Management -- what is IGA? It's Advanced Lifecycle

Management. It's some reporting, some entitlement management on top, which we're going to fine tune, and we're going to get it out the door; again, similar buyer, similar motion and something that we're already kind of stepping into. So yes, are we going to have to do training? Of course, we're going to have to do training. But we have some pretty smart reps, and I think they'll pick it up pretty quickly.

Dave Gennarelli Okta, Inc. - VP of IR

And next, let's go to Alex Henderson at Needham.

Alexander Henderson Needham & Company, LLC, Research Division - Senior Analyst

I was hoping we could talk a little bit more about machine-to-machine environments across domain environments and to what extent you're looking to extend into that realm, which is much more about Kubernetes and modern microservice-based application architectures. And to what extent you feel like you need to build out functionality and capabilities to delve into that arena?

Todd McKinnon Okta, Inc. - Co-Founder, Chairman & CEO

Yes. I think it's really important, Alex, on the PAM side. I think -- and that's a big difference between legacy PAM and modern PAM. Legacy PAM doesn't really have a lot of features for containers, functions as a service, some of these modern DevOps concepts, where our solution is going to be very centered on that, starting with Advanced Server Access, which was very focused on virtualized servers and real servers but really focused on connecting them with their native protocol. And then when you go to containers and some of the other new workloads, that's really right where that product is headed.

Alexander Henderson Needham & Company, LLC, Research Division - Senior Analyst

So if you could extend that conversation to -- if you're talking about cloud vaulting and the like, obviously, HashiCorp is a major player in that space with exceptional traction and probably the dominant multi-cloud participant. How do you integrate with them? Do you compete with them? Or do you integrate cloud vault?

Todd McKinnon Okta, Inc. - Co-Founder, Chairman & CEO

Yes. No, it's an integration story. HashiCorp is -- we have a great partnership. We have -- we've implemented some -- a provider in their Terraform system. And in terms of that DevOps motion, how you're moving workloads, copying things around, it's -- they've done a great job there. And we're really good at integrating people -- integrating with people. If you look at our -- one of our hallmarks is our integration network. So we're going to be the most integrated, most easy to work with company out there. It's part of what we do.

Alexander Henderson Needham & Company, LLC, Research Division - Senior Analyst

Are you planning on doing any vaulting?

Todd McKinnon Okta, Inc. - Co-Founder, Chairman & CEO

I think the PAM solution will have a vault in it. Yes. We're looking at different options on -- is that a partnership, is that something we buy. We'll make that decision when time is right.

Dave Gennarelli Okta, Inc. - VP of IR

Okay. Let's go to Andy Nowinski at D.A. Davidson.

Andrew James Nowinski D.A. Davidson & Co., Research Division - MD & Senior Research Analyst

Just a quick one for me. I was wondering if you could just give us an update on the development progress you've made with regard to the new -- the upcoming IGA and PAM products that you're soon to be releasing next year. And maybe like which one is more complicated to develop?

Todd McKinnon Okta, Inc. - Co-Founder, Chairman & CEO

They're going well. Teams are cranking away, working with early customers, vetting the plans. Again, it's all building on our strength of these 2 products. So we have a really good high-quality signal from the market on what we need to do there.

In terms of complexity, I think they're both kind of about the same complexity. I wouldn't call out one is more complex than the other. They both have their -- I think the biggest opportunity on both of them is to resist the temptation to just go out and implement things

that have been implemented before because there are existing tools out there, and we really have to challenge ourselves to make sure we build the solution for the future, not for the past while still meeting the real requirements as the requirements are changing. That's probably the -- it's an engineering challenge, but it's also a product challenge, too. And that's what the teams are spending a lot of times on -- time on to make sure they get that right.

Andrew James Nowinski D.A. Davidson & Co., Research Division - MD & Senior Research Analyst

And then, Todd, do you think customers will be willing to deploy a good enough solution for both of those 2 for the benefit of managing just 1 platform and identity? Or do you actually have to be a market leader in both to really convince customers to move to your platform?

Todd McKinnon Okta, Inc. - Co-Founder, Chairman & CEO

Well, I think it's a little bit semantics. I think we're going to be the market leader for the customers that want a modern solution. We're not going to go replace a bunch of CyberArk implementations. We're not going to go replace a bunch of SailPoint implementations. This is about the 10x the customers that don't have those things right now and the companies that are going to need the modern version of PAM and IGA in the future.

So it's -- yes. I think it's going to be tough to go and say you've been -- you have an Oracle legacy database, a SUN server and you have CyberArk doing the access to that. You're going to take that out for a new Okta product is unlikely. But I think there's 10x the companies that are trending toward more modern technology that don't want the old technology to do privileged access around that.

Dave Gennarelli Okta, Inc. - VP of IR

Next, let's go to Josh Tilton at Berenberg.

Joshua Alexander Tilton Joh. Berenberg, Gossler & Co. KG, Research Division - Associate Analyst

I want to talk about, when we kind of think about the future, where this identity market does converge and customers are looking to buy 1 product or unified bundle for access management PAM or governance, which of these 3 product features do you think are going to drive the purchasing decision for a customer to choose 1 vendor over the other?

Todd McKinnon Okta, Inc. - Co-Founder, Chairman & CEO

I think it's the core access management. So I think the -- and when I say core, it starts to get a little fuzzy between privileged access and core access management just because, as Freddy mentioned, the -- on -- with remote work and cloud and so many things being sensitive, the number of accounts that are privileged are increasing.

What is the most -- what's the most compelling to customers? When I was talking to that CISO and that CIO from that 3-letter federal agency, they wanted access control. So when the Biden administration says do MFA, it's access control. So that's the driver. So the degree that -- to which we can be the leader in, we secure your environment. We give you access control while making it easier for your end users. That's the core, in my view, on the workforce side.

Joshua Alexander Tilton Joh. Berenberg, Gossler & Co. KG, Research Division - Associate Analyst

And if I could just follow-up on that public sector comment. The simple way to think about it is fed gov employs 2 million people, and MFA is \$76 per user per year, which kind of implies a pretty sizable opportunity there. So anything directly that you guys are doing to kind of capitalize on that opportunity you can talk to?

Todd McKinnon Okta, Inc. - Co-Founder, Chairman & CEO

There's a ton. I mean we have a dedicated sales team. We're ramping that up. We have the authorizations, the FedRAMP Moderate and the IL4 provisional authorization. FedRAMP High is in the short-term plan. So yes -- and it's not something that you can just do. We've been working on it for a number of years, and the timing is good for -- and we've seen a lot of success there. So it's not like they just bought 0, Okta and now they're going to buy all Okta. We've seen a lot of progress there. So we have a very solid base to work from.

Jacques Frederic Kerrest Okta, Inc. - Co-Founder, Executive Vice Chairperson & COO

And I would just add to the question that was posed a little while ago. It's also not just direct. There's obviously a big channel component there. We've been working on that channel strategy for a number of years, and I think you're going to see it really start coming to fruition.

So the more you can get, obviously, they buy from the exact same folks they buy from every time, more you can build those relationships. But again, you can't build those overnight. We've been working on them for a while, and I think you're going to start to really see the results.

Dave Gennarelli Okta, Inc. - VP of IR

Okay. We are running long. We're going to take one more question from Gray Powell at BTIG.

Gray Wilson Powell BTIG, LLC, Research Division - Director & Security and Analytics Software Analyst

So I'm going to follow up on the guidance questions, and just bear with me a second. So if I look at your Q1 results in a vacuum, the upside to revenue was actually a little better than what you've seen the last few quarters. And specifically, you beat on revenue by \$13 million in Q1 versus more like \$10 million in the prior few quarters. So if Q1 was a fairly standard Okta revenue beat, is it safe to assume that the organic upside to the full year guidance would have been a fairly standard Okta raise, maybe in the, I don't know, \$30 million to \$40 million range?

Brett Tighe Okta, Inc. - Incoming Interim CFO

Well...

Todd McKinnon Okta, Inc. - Co-Founder, Chairman & CEO

I think that's fair. Yes.

Brett Tighe Okta, Inc. - Incoming Interim CFO

Okay. Go ahead, Todd.

Todd McKinnon Okta, Inc. - Co-Founder, Chairman & CEO

No. I was just going to say I think that's fair.

Dave Gennarelli Okta, Inc. - VP of IR

Okay. Good. Apologies to those that we didn't get to on the call. We will take your questions afterwards if you'd like.

Before you go, we want to let you know we'll be at 2 virtual conferences this quarter, be at the William Blair Growth Stock Conference on June 3 and the BofA Global Tech Conference on June 8. And we're also participating in a number of bus tours, so we hope to see you at one of those events. So that's it for today's meeting. If you have any follow-up questions, you can e-mail us at investor@okta.com. Thanks again. Bye.

Todd McKinnon Okta, Inc. - Co-Founder, Chairman & CEO

Thanks, everyone.

Michael R. Kourey Okta, Inc. - CFO

Thank you.

Jacques Frederic Kerrest Okta, Inc. - Co-Founder, Executive Vice Chairperson & COO

Thank you. Bye-bye.

Brett Tighe Okta, Inc. - Incoming Interim CFO

Thanks, everyone.

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