

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (date of earliest event reported)
August 26, 2022

Okta, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

001-38044
(Commission File Number)

26-4175727
(I.R.S. Employer Identification Number)

100 First Street, Suite 600
San Francisco, California 94105
(Address of principal executive offices)

(888) 722-7871
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value \$0.0001 per share	OKTA	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 - Results of Operations and Financial Condition

On August 31, 2022, Okta, Inc. (the "Company") issued a press release announcing its financial results for the fiscal quarter ended July 31, 2022.

A copy of the press release is attached as Exhibit 99.1.

Item 5.02 - Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

On August 31, 2022, the Company announced that J. Frederic Kerrest, the Company's Executive Vice Chairman, Chief Operating Officer and Co-founder intends to take a sabbatical. During the sabbatical, Mr. Kerrest will remain an at-will employee of the Company but will not fulfill any of his regular duties as an employee. The sabbatical will begin November 1, 2022 and continue through October 31, 2023. Mr. Kerrest will remain Executive Vice Chairman and continue to serve as a member of the Company's board of directors.

The Company has entered into a sabbatical letter agreement with Mr. Kerrest. Under the terms of the sabbatical letter agreement, Mr. Kerrest will not be paid his base salary during the term of the sabbatical. Mr. Kerrest will be eligible to earn 75% of his fiscal 2023 annual bonus, based on his service through the end of the fiscal quarter ending October 31, 2022, with any bonus to be earned based on actual performance and paid at the same time bonuses are paid to other senior executives of the Company. The vesting of Mr. Kerrest's equity awards, including stock options and restricted stock units, will be tolled during the sabbatical; however, such equity awards will remain outstanding in accordance with their terms. Mr. Kerrest will continue to be eligible for the Company's healthcare coverage during the sabbatical; provided that if Mr. Kerrest is no longer eligible to participate in such coverage, the Company will pay the cost of COBRA premiums.

The foregoing description of the sabbatical letter agreement is not a complete description of all terms of the sabbatical letter agreement and is qualified in its entirety by reference to the full text of the sabbatical letter agreement, a copy of which is attached as Exhibit 99.2.

Item 7.01 - Regulation FD Disclosures

On August 31, 2022, the Company posted supplemental investor materials on its investor.okta.com website. The Company uses its investor.okta.com website as a means of disclosing material non-public information, announcing upcoming investor conferences and for complying with its disclosure obligations under Regulation FD. Accordingly, investors should monitor the Company's investor relations website in addition to following its press releases, SEC filings and public conference calls and webcasts.

The information furnished in the current report on Form 8-K and in the accompanying Exhibit 99.1 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act regardless of any general incorporation language in such filings, unless expressly incorporated by specific reference in such filing.

Item 9.01 - Financial Statements and Exhibits

(d) Exhibits

Exhibit Number	Description
99.1	Press release dated August 31, 2022, issued by Okta, Inc.
99.2	Sabbatical Letter Agreement dated August 26, 2022, between J. Frederic Kerrest and Okta, Inc.
104	Cover Page Interactive Data File—the cover page XBRL tags are embedded within the Inline XBRL document

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized on this 31st day of August 2022.

Okta, Inc.

By: /s/ Brett Tighe
Name: Brett Tighe
Title: Chief Financial Officer
(Principal Financial Officer)

Okta Announces Second Quarter Fiscal Year 2023 Financial Results

- Q2 revenue grew 43% year-over-year; subscription revenue grew 44% year-over-year
- Remaining performance obligations (RPO) grew 25% year-over-year to \$2.79 billion; current remaining performance obligations (cRPO) grew 36% year-over-year to \$1.50 billion

SAN FRANCISCO – August 31, 2022 – Okta, Inc. (Nasdaq: OKTA), the leading independent identity provider, today announced financial results for its second quarter ended July 31, 2022.

“Identity has become a critical component of every organization’s strategy around zero trust security, digital transformation, and cloud adoption. These three mega trends continue to drive the identity market,” said Todd McKinnon, Chief Executive Officer and co-founder of Okta. “Looking at the second half of the fiscal year, we’re focused on refining the go-to-market strategy for the combined Auth0 and Okta sales organization, strengthening our teams, and making strategic reductions to our spend to improve profitability.”

Second Quarter Fiscal 2023 Financial Highlights:

- **Revenue:** Total revenue was \$452 million, an increase of 43% year-over-year. Subscription revenue was \$435 million, an increase of 44% year-over-year.
- **RPO:** RPO, or subscription backlog, was \$2.79 billion, an increase of 25% year-over-year. cRPO, which is contracted subscription revenue expected to be recognized over the next 12 months, was \$1.50 billion, up 36% compared to the second quarter of fiscal 2022.
- **Calculated Billings:** Total calculated billings was \$491 million, an increase of 36% year-over-year.
- **GAAP Operating Loss:** GAAP operating loss was \$208 million, or 46% of total revenue, compared to a GAAP operating loss of \$263 million, or 83% of total revenue, in the second quarter of fiscal 2022.
- **Non-GAAP Operating Loss:** Non-GAAP operating loss was \$15 million, or 3% of total revenue, compared to non-GAAP operating loss of \$25 million, or 8% of total revenue, in the second quarter of fiscal 2022.
- **GAAP Net Loss:** GAAP net loss was \$210 million, compared to a GAAP net loss of \$277 million in the second quarter of fiscal 2022. GAAP net loss per share was \$1.34, compared to a GAAP net loss per share of \$1.83 in the second quarter of fiscal 2022.
- **Non-GAAP Net Loss:** Non-GAAP net loss was \$16 million, compared to non-GAAP net loss of \$16 million in the second quarter of fiscal 2022. Non-GAAP basic and diluted net loss per share was \$0.10, compared to non-GAAP basic and diluted net loss per share of \$0.11 in the second quarter of fiscal 2022.
- **Cash Flow:** Net cash used in operations was \$19 million, or (4)% of total revenue, compared to net cash used in operations of \$3 million, or (1)% of total revenue, in the second quarter of fiscal 2022. Free cash flow was negative \$24 million, or (5)% of total revenue, compared to negative \$4 million, or (1)% of total revenue, in the second quarter of fiscal 2022.
- **Cash, cash equivalents, and short-term investments** were \$2.48 billion at July 31, 2022.

The section titled "Non-GAAP Financial Measures" below contains a description of the non-GAAP financial measures, and reconciliations between GAAP and non-GAAP information are contained in the tables below.

Financial Outlook:

For the third quarter of fiscal 2023, the Company expects:

- Total revenue of \$463 million to \$465 million, representing a growth rate of 32% to 33% year-over-year;
- Current RPO of \$1.54 billion to \$1.55 billion, representing a growth rate of 30% to 31% year-over-year;
- Non-GAAP operating loss of \$37 million to \$36 million; and
- Non-GAAP net loss per share of \$0.25 to \$0.24, assuming weighted-average shares outstanding of approximately 158 million.

For the full year fiscal 2023, the Company now expects:

- Total revenue of \$1.812 billion to \$1.820 billion, representing a growth rate of 39% to 40% year-over-year;
- Non-GAAP operating loss of \$110 million to \$105 million; and
- Non-GAAP net loss per share of \$0.73 to \$0.70, assuming weighted-average shares outstanding of approximately 157 million.

These statements are forward-looking and actual results may differ materially. Refer to the Forward-Looking Statements safe harbor below for information on the factors that could cause our actual results to differ materially from these forward-looking statements.

Okta has not reconciled its expectations as to non-GAAP operating loss and non-GAAP net loss per share to their most directly comparable GAAP measures because certain items are out of Okta's control or cannot be reasonably predicted. Accordingly, reconciliations for forward-looking non-GAAP operating loss and non-GAAP net loss per share are not available without unreasonable effort.

Webcast Information:

Okta will host a live video webcast at 2:00 p.m. Pacific Time on August 31, 2022 to discuss the results and outlook. The news release with the financial results will be accessible from the Company's website at investor.okta.com prior to the webcast. The live video webcast will be accessible from the Okta investor relations website at investor.okta.com.

Supplemental Financial and Other Information:

Supplemental financial and other information can be accessed through the Company's investor relations website at investor.okta.com.

Non-GAAP Financial Measures:

This press release and the accompanying tables contain the following non-GAAP financial measures: non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating loss, non-GAAP operating margin, non-GAAP net loss, non-GAAP net margin, non-GAAP net loss per share, basic and diluted, free cash flow, free cash flow margin, current calculated billings and calculated billings. Certain of these non-GAAP financial measures exclude stock-based compensation, non-cash charitable contributions, amortization of acquired intangibles, acquisition and integration-related expenses, amortization of debt discount and debt issuance costs and loss on early extinguishment and conversion of debt. Non-GAAP financial measures reflect the adoption of ASU 2020-06 under the modified retrospective method as of February 1, 2022, as applicable.

Okta believes that non-GAAP financial information, when taken collectively with GAAP financial measures, may be helpful to investors because it provides 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 information is presented for supplemental informational purposes only, and should not be considered a substitute for financial information presented in accordance with GAAP, and may be different from similarly-titled non-GAAP measures used by other companies.

The principal limitation of these non-GAAP financial measures is that they exclude significant expenses that are required by GAAP to be recorded in the Company's financial statements. In addition, they are subject to inherent limitations as they reflect the exercise of judgment by the Company's management about which expenses are excluded or included in determining these non-GAAP financial measures. A reconciliation is provided below for each non-GAAP financial measure to the most directly comparable financial measure stated in accordance with GAAP.

Okta encourages investors to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures, which it includes in press releases announcing quarterly financial results, including this press release, and not to rely on any single financial measure to evaluate the Company's business.

Forward-Looking Statements: This press release contains "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, including but not limited to, statements regarding our financial outlook, business strategy and plans, market trends and market size, opportunities and positioning. These forward-looking statements are based on current expectations, estimates, forecasts and projections. Words such as "expect," "anticipate," "should," "believe," "hope," "target," "project," "goals," "estimate," "potential," "predict," "may," "will," "might," "could," "intend," "shall" and variations of these terms and similar expressions are intended to identify these forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements are subject to a number of risks and uncertainties, many of which involve factors or circumstances that are beyond our control. For example, the market for our products may develop more slowly than expected or than it has in the past; there may be significant fluctuations in our results of operations and cash flows related to our revenue recognition or otherwise; we may not achieve expected synergies and efficiencies of operations between Okta and Auth0, and we may not be able to successfully integrate the companies; global economic conditions could worsen; a network or data security incident that allows unauthorized access to our network or data or our customers' data could damage our reputation and cause us to incur significant costs; we could experience interruptions or performance problems associated with our technology, including a service outage; the impact of COVID-19, related public health measures and any associated economic downturn on our business and results of operations may be more than we expect; and we may not be able to pay off our convertible senior notes when due. Further information on potential factors that could affect our financial results is included in our most recent Quarterly Report on Form 10-Q and our other filings with the Securities and Exchange Commission. The forward-looking statements included in this press release represent our views only as of the date of this press release and we assume no obligation and do not intend to update these forward-looking statements.

About Okta

Okta is the leading independent identity provider. The Okta Identity Cloud enables organizations to securely connect the right people to the right technologies at the right time. With more than 7,000 pre-built integrations to applications and infrastructure providers, Okta provides simple and secure access to people and organizations everywhere, giving them the confidence to reach their full potential. More than 16,400 organizations, including JetBlue, Nordstrom, Siemens, Slack, Takeda, and Teach for America, trust Okta to help protect the identities of their workforces and customers.

Okta uses its investor.okta.com website as a means of disclosing material non-public information, announcing upcoming investor conferences and for complying with its disclosure obligations under Regulation FD. Accordingly, you should monitor our investor relations website in addition to following our press releases, SEC filings and public conference calls and webcasts.

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OKTA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2022	2021	2022	2021
Revenue:				
Subscription	\$ 435,384	\$ 303,121	\$ 833,325	\$ 543,179
Professional services and other	16,423	12,379	33,425	23,327
Total revenue	451,807	315,500	866,750	566,506
Cost of revenue:				
Subscription ⁽¹⁾	116,342	84,457	227,218	136,855
Professional services and other ⁽¹⁾	21,352	16,649	41,641	30,374
Total cost of revenue	137,694	101,106	268,859	167,229
Gross profit	314,113	214,394	597,891	399,277
Operating expenses:				
Research and development ⁽¹⁾	155,836	122,407	317,487	191,270
Sales and marketing ⁽¹⁾	264,653	198,350	517,126	344,871
General and administrative ⁽¹⁾	101,686	157,077	211,029	217,257
Total operating expenses	522,175	477,834	1,045,642	753,398
Operating loss	(208,062)	(263,440)	(447,751)	(354,121)
Interest expense	(2,915)	(22,872)	(5,783)	(45,632)
Interest income and other, net	4,721	2,211	6,425	6,566
Loss on conversion of debt	—	(43)	—	(179)
Interest and other, net	1,806	(20,704)	642	(39,245)
Loss before provision for (benefit from) income taxes	(206,256)	(284,144)	(447,109)	(393,366)
Provision for (benefit from) income taxes	4,216	(7,462)	6,076	(7,452)
Net loss	\$ (210,472)	\$ (276,682)	\$ (453,185)	\$ (385,914)
Net loss per share, basic and diluted	\$ (1.34)	\$ (1.83)	\$ (2.89)	\$ (2.72)
Weighted-average shares used to compute net loss per share, basic and diluted	157,400	151,357	156,650	141,720

⁽¹⁾ Amounts include stock-based compensation expense as follows (in thousands):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2022	2021	2022	2021
Cost of subscription revenue	\$ 17,778	\$ 13,138	\$ 34,403	\$ 20,388
Cost of professional services and other	3,816	3,161	7,453	5,503
Research and development	70,078	53,332	139,122	73,425
Sales and marketing	38,982	41,288	78,784	62,354
General and administrative	40,525	76,795	80,940	90,156
Total stock-based compensation expense	\$ 171,179	\$ 187,714	\$ 340,702	\$ 251,826

OKTA, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

(unaudited)

	July 31, 2022	January 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 216,022	\$ 260,134
Short-term investments	2,260,956	2,241,657
Accounts receivable, net of allowances	323,377	397,509
Deferred commissions	80,657	74,728
Prepaid expenses and other current assets	64,490	66,605
Total current assets	2,945,502	3,040,633
Property and equipment, net	66,958	65,488
Operating lease right-of-use assets	141,940	147,940
Deferred commissions, noncurrent	191,309	191,029
Intangible assets, net	281,470	316,968
Goodwill	5,400,275	5,401,343
Other assets	46,553	42,294
Total assets	\$ 9,074,007	\$ 9,205,695
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 43,708	\$ 20,203
Accrued expenses and other current liabilities	106,477	89,315
Accrued compensation	87,094	143,805
Convertible senior notes, net	5,209	16,194
Deferred revenue	994,097	973,289
Total current liabilities	1,236,585	1,242,806
Convertible senior notes, net, noncurrent	2,190,110	1,815,714
Operating lease liabilities, noncurrent	158,577	170,611
Deferred revenue, noncurrent	17,187	22,933
Other liabilities, noncurrent	18,532	31,775
Total liabilities	3,620,991	3,283,839
Stockholders' equity:		
Preferred stock	—	—
Class A common stock	15	15
Class B common stock	1	1
Additional paid-in capital	7,607,382	7,749,716
Accumulated other comprehensive loss	(41,186)	(12,009)
Accumulated deficit	(2,113,196)	(1,815,867)
Total stockholders' equity	5,453,016	5,921,856
Total liabilities and stockholders' equity	\$ 9,074,007	\$ 9,205,695

OKTA, INC.
SUMMARY OF CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)
(unaudited)

	Six Months Ended July 31,	
	2022	2021 ⁽¹⁾
Cash flows from operating activities:		
Net loss	\$ (453,185)	\$ (385,914)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Stock-based compensation	340,702	251,826
Depreciation, amortization and accretion	59,748	44,903
Amortization of debt discount and issuance costs	2,895	42,780
Amortization of deferred commissions	39,537	25,135
Deferred income taxes	1,539	(11,506)
Non-cash charitable contributions	2,014	3,663
Loss on conversion of debt	—	179
Gain on strategic investments	(1,965)	(5,271)
Other, net	461	(290)
Changes in operating assets and liabilities:		
Accounts receivable	74,015	(14,798)
Deferred commissions	(50,123)	(55,102)
Prepaid expenses and other assets	(2,236)	718
Operating lease right-of-use assets	13,568	10,732
Accounts payable	24,632	(2,044)
Accrued compensation	(55,219)	(6,507)
Accrued expenses and other liabilities	1,144	10,092
Operating lease liabilities	(12,807)	(13,489)
Deferred revenue	15,062	158,360
Net cash provided by (used in) operating activities	(218)	53,467
Cash flows from investing activities:		
Capitalization of internal-use software costs	(5,396)	(378)
Purchases of property and equipment	(7,493)	(4,034)
Purchases of securities available for sale and other	(571,081)	(923,507)
Proceeds from maturities and redemption of securities available for sale	521,815	763,607
Proceeds from sales of securities available for sale and other	—	906
Purchases of intangible assets	(2,497)	(113)
Payments for business acquisitions, net of cash acquired	(4,060)	(148,042)
Net cash used in investing activities	(68,712)	(311,561)
Cash flows from financing activities:		
Payments for conversions of convertible senior notes	(6)	(15)
Proceeds from hedges related to convertible senior notes	1	2
Proceeds from stock option exercises	8,977	31,829
Proceeds from shares issued in connection with employee stock purchase plan	18,960	17,417
Net cash provided by financing activities	27,932	49,233
Effects of changes in foreign currency exchange rates on cash, cash equivalents and restricted cash	(6,072)	193
Net decrease in cash, cash equivalents and restricted cash	(47,070)	(208,668)
Cash, cash equivalents and restricted cash at beginning of period	272,656	448,630
Cash, cash equivalents and restricted cash at end of period	\$ 225,586	\$ 239,962

⁽¹⁾ The condensed consolidated statement of cash flows for the prior period has been adjusted to conform to current period presentation.

OKTA, INC.

Reconciliation of GAAP to Non-GAAP Data

(In thousands, except percentages and per share data)
(unaudited)

Non-GAAP Gross Profit and Non-GAAP Gross Margin

We define Non-GAAP gross profit and Non-GAAP gross margin as GAAP gross profit and GAAP gross margin, adjusted for stock-based compensation expense included in cost of revenue, amortization of acquired intangibles and acquisition and integration-related expenses.

	Three Months Ended July 31,		Six Months Ended July 31,	
	2022	2021	2022	2021
Gross profit	\$ 314,113	\$ 214,394	\$ 597,891	\$ 399,277
Add:				
Stock-based compensation expense included in cost of revenue ⁽¹⁾	21,594	16,299	41,856	25,891
Amortization of acquired intangibles	11,374	10,128	22,709	11,721
Acquisition and integration-related expenses ⁽²⁾	—	658	459	658
Non-GAAP gross profit	<u>\$ 347,081</u>	<u>\$ 241,479</u>	<u>\$ 662,915</u>	<u>\$ 437,547</u>
Gross margin	70 %	68 %	69 %	70 %
Non-GAAP gross margin	77 %	77 %	76 %	77 %

⁽¹⁾ See table in footnote (1) to the condensed consolidated statements of operations above for breakdown of stock-based compensation expense by line item.

⁽²⁾ Acquisition and integration-related expenses include transaction costs and other non-recurring incremental costs incurred through the one-year anniversary of transaction close.

Non-GAAP Operating Loss and Non-GAAP Operating Margin

We define Non-GAAP operating loss and Non-GAAP operating margin as GAAP operating loss and GAAP operating margin, adjusted for stock-based compensation expense, non-cash charitable contributions, amortization of acquired intangibles and acquisition and integration-related expenses.

	Three Months Ended July 31,		Six Months Ended July 31,	
	2022	2021	2022	2021
Operating loss	\$ (208,062)	\$ (263,440)	\$ (447,751)	\$ (354,121)
Add:				
Stock-based compensation expense ⁽¹⁾	171,179	187,714	340,702	251,826
Non-cash charitable contributions	633	1,639	2,014	3,663
Amortization of acquired intangibles	21,244	19,998	42,449	21,591
Acquisition and integration-related expenses ⁽²⁾	—	29,550	6,555	36,604
Non-GAAP operating loss	<u>\$ (15,006)</u>	<u>\$ (24,539)</u>	<u>\$ (56,031)</u>	<u>\$ (40,437)</u>
Operating margin	(46)%	(83)%	(52)%	(63)%
Non-GAAP operating margin	(3)%	(8)%	(6)%	(7)%

⁽¹⁾ See table in footnote (1) to the condensed consolidated statements of operations above for breakdown of stock-based compensation expense by line item.

⁽²⁾ Acquisition and integration-related expenses include transaction costs and other non-recurring incremental costs incurred through the one-year anniversary of transaction close.

Non-GAAP Net Loss, Non-GAAP Net Margin and Non-GAAP Net Loss Per Share, Basic and Diluted

We define Non-GAAP net loss and Non-GAAP net margin as GAAP net loss and GAAP net margin, adjusted for stock-based compensation expense, non-cash charitable contributions, amortization of acquired intangibles, acquisition and integration-related expenses, amortization of debt discount and debt issuance costs and loss on early extinguishment and conversion of debt. Adjustments reflect the adoption of ASU 2020-06 under the modified retrospective method as of February 1, 2022, as applicable.

We define Non-GAAP net loss per share, basic, as Non-GAAP net loss divided by GAAP weighted-average shares used to compute net loss per share, basic and diluted.

We define Non-GAAP net loss per share, diluted, as Non-GAAP net loss divided by GAAP weighted-average shares used to compute net loss per share, basic and diluted adjusted for the potentially dilutive effect of (i) employee equity incentive plans, excluding the impact of unrecognized stock-based compensation expense, and (ii) convertible senior notes outstanding and related warrants. In addition, Non-GAAP net loss per share, diluted, includes the anti-dilutive impact of our note hedge and capped call agreements on convertible senior notes outstanding, as applicable. Accordingly, we did not record any adjustments to Non-GAAP net loss for the potential impact of the convertible senior notes outstanding under the if-converted method.

	Three Months Ended July 31,		Six Months Ended July 31,	
	2022	2021	2022	2021
Net loss	\$ (210,472)	\$ (276,682)	\$ (453,185)	\$ (385,914)
Add:				
Stock-based compensation expense ⁽¹⁾	171,179	187,714	340,702	251,826
Non-cash charitable contributions	633	1,639	2,014	3,663
Amortization of acquired intangibles	21,244	19,998	42,449	21,591
Acquisition and integration-related expenses ⁽²⁾	—	29,550	6,555	36,604
Amortization of debt discount and debt issuance costs ⁽³⁾	1,446	21,449	2,895	42,780
Loss on conversion of debt ⁽³⁾	—	43	—	179
Non-GAAP net loss	\$ (15,970)	\$ (16,289)	\$ (58,570)	\$ (29,271)
Net margin	(47)%	(88)%	(52)%	(68)%
Non-GAAP net margin	(4)%	(5)%	(7)%	(5)%
Weighted-average shares used to compute net loss per share, basic and diluted	157,400	151,357	156,650	141,720
Non-GAAP weighted-average effect of potentially dilutive securities	—	—	—	—
Non-GAAP weighted-average shares used to compute non-GAAP net loss per share, diluted	157,400	151,357	156,650	141,720
Net loss per share, basic and diluted	\$ (1.34)	\$ (1.83)	\$ (2.89)	\$ (2.72)
Non-GAAP net loss per share, basic and diluted	\$ (0.10)	\$ (0.11)	\$ (0.37)	\$ (0.21)

⁽¹⁾ See table in footnote (1) to the condensed consolidated statements of operations above for breakdown of stock-based compensation expense by line item.

⁽²⁾ Acquisition and integration-related expenses include transaction costs and other non-recurring incremental costs incurred through the one-year anniversary of transaction close.

⁽³⁾ Reflects the adoption of ASU 2020-06 under the modified retrospective method effective February 1, 2022.

OKTA, INC.

Reconciliation of GAAP to Non-GAAP Financial Measures

(In thousands, except percentages)

(unaudited)

Free Cash Flow and Free Cash Flow Margin

We define Free cash flow as net cash provided by (used in) operating activities, less cash used for purchases of property and equipment, net of sales proceeds, and capitalized internal-use software costs. Free cash flow margin is calculated as Free cash flow divided by total revenue.

	Three Months Ended July 31,		Six Months Ended July 31,	
	2022	2021	2022	2021
Net cash provided by (used in) operating activities	\$ (19,049)	\$ (2,608)	\$ (218)	\$ 53,467
Less:				
Purchases of property and equipment	(2,165)	(775)	(7,493)	(4,034)
Capitalization of internal-use software costs	(2,909)	(368)	(5,396)	(378)
Free cash flow	\$ (24,123)	\$ (3,751)	\$ (13,107)	\$ 49,055
Net cash provided by (used in) investing activities	\$ 19,630	\$ (463,466)	\$ (68,712)	\$ (311,561)
Net cash provided by financing activities	\$ 22,550	\$ 33,054	\$ 27,932	\$ 49,233
Free cash flow margin	(5)%	(1)%	(2)%	9 %

Calculated Billings

We define Calculated Billings as total revenue plus the change in deferred revenue, net of acquired deferred revenue, and less the change in unbilled receivables, net of acquired unbilled receivables, in the period.

	Three Months Ended July 31,		Six Months Ended July 31,	
	2022	2021	2022	2021
Total revenue	\$ 451,807	\$ 315,500	\$ 866,750	\$ 566,506
Add:				
Deferred revenue, current (end of period)	994,097	721,808	994,097	721,808
Unbilled receivables, current (beginning of period)	4,039	894	3,228	2,604
Acquired unbilled receivables, current	—	2,327	—	2,327
Less:				
Deferred revenue, current (beginning of period)	(952,190)	(613,167)	(973,289)	(502,738)
Unbilled receivables, current (end of period)	(4,530)	(3,409)	(4,530)	(3,409)
Acquired deferred revenue, current	—	(60,522)	—	(60,522)
Current Calculated Billings	493,223	363,431	886,256	726,576
Add:				
Deferred revenue, noncurrent (end of period)	17,187	15,489	17,187	15,489
Less:				
Deferred revenue, noncurrent (beginning of period)	(19,074)	(11,745)	(22,933)	(10,860)
Acquired deferred revenue, noncurrent	—	(4,817)	—	(4,817)
Calculated Billings	\$ 491,336	\$ 362,358	\$ 880,510	\$ 726,388

Okta, Inc.
100 First St., Suite 600
San Francisco, CA 94105
888-722-7871
okta.com

August 26, 2022

J. Frederic Kerrest
via Email

Re: Your Sabbatical

Dear Frederic:

This letter (this "Agreement") memorializes our agreement regarding your sabbatical with Okta, Inc. (the "Company").

Your sabbatical will begin on November 1, 2022, and will continue through and including October 31, 2023 (such period, your "Sabbatical"). During your Sabbatical, you will remain an at-will employee of the Company but are not expected to and should not fulfill any of your regular duties as an employee. You will, however, continue to serve as Executive Vice Chairperson and a member of the Board of Directors of the Company (the "Board"). During your Sabbatical, you will cease to be paid your base salary and benefits, other than healthcare as described below. You also will not be eligible to earn your annual bonus during your Sabbatical; however, you will remain eligible to earn 75% of your fiscal 2023 annual bonus based on your service through the end of the fiscal quarter ending October 31, 2022, with any bonus to be earned based on actual performance and paid at the same time bonuses are paid to other senior executives of the Company, and you will likewise remain eligible for 25% of your fiscal 2024 annual bonus based on your expected partial-year service in fiscal year 2024 following your return.

You will not be eligible to be granted an equity award under the fiscal 2024 long-term incentive program. In the event you return to active employment at the end of your Sabbatical, you will be eligible to be granted an equity award under the fiscal 2025 long-term incentive program. During your Sabbatical, the vesting of your equity awards, including your stock options and restricted stock units, will be tolled; however, such equity awards will remain outstanding in accordance with their terms and will recommence vesting on their existing schedule, adjusted to reflect the tolling during your Sabbatical, upon your return to active employment following the completion of your Sabbatical. With respect to each of your awards under the Okta, Inc. 2009 Stock Plan (the "2009 Plan"), your Sabbatical shall constitute a *bona fide* leave of absence and shall not constitute a termination of Service, under Section 6(g) of the 2009 Plan. With respect to each of your awards under the Okta, Inc. 2017 Equity Incentive Plan (the "2017 Plan"), your Sabbatical shall constitute an approved leave of absence and shall not constitute a termination of employment, under Section 17 of the 2017 Plan.

During your Sabbatical, you will continue to have access to your Company e-mail account, certain Company facilities and certain information systems of the Company, in each case, as determined necessary or appropriate by the Company. You will also retain your Company issued laptop. You agree to only access Company proprietary information to the extent necessary to fulfill any duties to the Company you perform during your Sabbatical. For the avoidance of doubt, during your Sabbatical, you will remain subject to, and hereby reaffirm your obligations under, the Proprietary Information and Inventions Agreement you previously entered into with the Company.

You agree to promptly notify the Chief Executive Officer of the Company in writing if you decide not to return to active employment at the end of your Sabbatical and, in any event, by September 30, 2023. If you do not return to active employment at the end of your Sabbatical for any reason other than your death, your employment will be deemed to have terminated on October 31, 2023. If you die during the Sabbatical, your employment will be deemed to have terminated on your date of death and your unvested equity awards will be treated in accordance with the Company's Death Related Equity Acceleration Policy. If you terminate employment on October 31, 2023, other than as a result of your death, all of your unvested equity awards will thereupon be forfeited. As long as you continue your Board service, your vested stock options will remain outstanding and exercisable based on your service on the Board. Your equity awards are hereby deemed amended to the extent necessary to reflect the terms of this paragraph and the paragraph directly above.

You will continue to be eligible for health, dental and vision coverage during your Sabbatical, provided, that in the event you cease to be eligible to participate in the Company's health, dental and/or vision plans as an employee during your Sabbatical, then if you or your covered dependents timely elect to receive continued healthcare coverage pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (together with any state equivalent thereof, "COBRA"), the Company will directly pay the COBRA premiums for you and/or your covered dependents through the earlier of (i) October 31, 2023 or (ii) the date you and your covered dependents are no longer eligible for COBRA coverage. Notwithstanding the foregoing, (i) if any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the period of continuation coverage to be, exempt from the application of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), under Treasury Regulation Section 1.409A-1(a)(5), or (ii) the Company is otherwise unable to continue to cover you under its group health plans without penalty under applicable law (including without limitation, Section 2716 of the Public Health Service Act), then, in either case, an amount equal to each remaining Company subsidy shall thereafter be paid to you in substantially equal monthly installments through October 31, 2023.

During and after your Sabbatical, you will continue to be subject to the terms and conditions of your proprietary information and inventions assignment agreement with the Company. Nothing in this letter agreement changes the nature of your at-will employment with the Company.

This Agreement constitutes the entire and exclusive agreement between the Company and you with respect to the subject matter hereof. This Agreement may not be amended or modified, except by an express written agreement signed by both you and a duly authorized officer of the Company. This Agreement will be governed by California law, excluding laws relating to conflicts or choice of law. This Agreement has been duly authorized and approved by the Compensation Committee of the Company.

Please indicate your agreement to the terms of this Agreement by returning a signed copy of this letter agreement at your earliest convenience. If you have any questions, please contact me.

Very truly yours,

Okta, Inc.

/s/ Kristina Johnson
By: Kristina Johnson

ACCEPTED AND AGREED

/s/ J. Frederic Kerrest
J. Frederic Kerrest

Date: August 29, 2022