



OKTA FIRST QUARTER FISCAL 2025 POSTED COMMENTARY

May 29, 2024

Okta is posting this prepared commentary and earnings press release to its investor relations website to provide stockholders and analysts with additional detail prior to its quarterly earnings webcast. The webcast begins today, May 29, 2024, at 2:00 p.m. PT (5:00 p.m. ET) and will include executive comments followed by Q&A. To access the webcast of the executive comments and Q&A session, visit the IR section of our website at investor.okta.com. Our earnings press release published earlier today includes tables reconciling our GAAP and non-GAAP results, which are incorporated by reference herein. Okta references a number of numeric or growth changes below. Unless otherwise noted, each such reference represents a year-over-year comparison.

TOP-LINE METRICS

Revenue

Total revenue for the first quarter grew 19% to \$617 million, driven by a 20% increase in subscription revenue. Subscription revenue represented 98% of our total revenue. International revenue grew 18% and represented 21% of our total revenue.

Remaining Performance Obligations (RPO) and Current RPO

RPO, or subscription backlog, grew 14% to \$3.364 billion. Our overall average term length remains just over 2.5 years.

Current RPO, which represents subscription backlog we expect to recognize as revenue over the next 12 months, grew 15% to \$1.949 billion.



SELECT FINANCIAL REVIEW

Net Retention Rate

Our dollar-based net retention rate for the trailing 12-month period was 111%, consistent with last quarter. The net retention rate primarily reflects the macro related pressures on the business over the last four quarters and was consistent with expectations. As noted previously, we've experienced a shift in our business mix to more upsell and cross-sell versus new business. The net retention rate may fluctuate from quarter-to-quarter as the mix of new business, renewals, and upsells fluctuates.

Non-GAAP Operating Expense & Profitability (all numbers are non-GAAP unless otherwise noted)

Profitability was better than expected due to the combination of revenue overperformance and our continued focus on spend efficiency measures.

Total operating expenses for the quarter were \$370 million, a slight decrease year-over-year. Operating profit was a record 22%, compared to 7% in Q1 last year.

Total headcount at the end of Q1 was 5,710.

Cash Flow

Q1 free cash flow was a record \$214 million, yielding a free cash flow margin of 35%. Free cash flow was significantly better than expected, driven by operating profitability and strong collections.

Okta did not repurchase any of its outstanding convertible debt note in Q1, but will continue to be opportunistic with debt repurchases going forward.

Our balance sheet remains strong, anchored by \$2.320 billion in cash, cash equivalents and short-term investments. Our cash, cash equivalents and short-term investments position, net of remaining convertible debt, is \$1.160 billion.



CUSTOMERS AND CUSTOMER SUCCESS

Okta added 150 net new customers in the quarter, bringing its total customer base to 19,100, representing growth of 6% year-over-year.

We continue to see strong growth with large customers for both workforce and customer identity. In Q1, we added 65 customers with \$100,000 plus annual contract value, or ACV. Our total base of \$100,000 plus ACV customers grew 12% to 4,550, and represents over 80% of total ACV.

Similar to the past few quarters, our fastest growing cohort was customers with \$1 million plus ACV.

A few notable examples of new customer wins and upsells in Q1, which come from a wide range of industries.

- ❖ A Department of Defense organization and existing Customer Identity customer has expanded its Okta footprint and brought on Workforce Identity this quarter. After struggling with expensive integrations with its legacy infrastructure, this agency purchased Workforce Identity to enhance security, reduce IT costs and create a better user experience.
- ❖ An existing Global 2000 telecom Workforce Identity customer was an exciting Privileged Access win this quarter. The company needed to implement a privileged access solution to meet federal compliance requirements in a short period of time. The company had an incumbent legacy PAM solution that proved to be too cumbersome to implement within required timeframes and difficult to support. With Okta, the company will benefit from a converged Identity platform that is easy and quick to implement, resulting in a better user experience and lower support costs.
- ❖ A Global 2000 technology conglomerate was a Workforce upsell that included Okta Identity Governance and Okta Privileged Access. The company needed to enhance its IT governance to comply with industry audit requirements. The company is excited to



expand its Okta footprint and harden its security infrastructure while meeting compliance requirements.

- ❖ A Middle Eastern airline was a new Customer Identity win. The airline's legacy solution created a poor online user experience, resulting in customer churn. The airline chose Okta's Customer Identity Cloud to improve the customer experience and drive higher conversion.

PRODUCTS

Showcase Highlights*

On May 9, 2024, Okta hosted its Showcase event to share information on its newest products and features. Click [here](#) to view a replay of the event and access a summary of the products featured at the event. Below is a partial summary of the announcements and our current expectations for launch dates:

Workforce Identity Cloud (WIC)

- **Identity Security Posture Management.** New WIC product. GA now to select customers in North America.
- **Identity Threat Protection with Okta AI.** New WIC product. Early Access (EA) now. Generally Available (GA) 3Q 2024. **Universal Logout** is a new feature of Identity Threat Protection. EA now. GA in 3Q 2024.
- **Govern Okta Admin Roles.** New WIC product enhancement. EA now. GA in 4Q 2024.
- **Additional new & upcoming features** for WIC include:
 - Fastpass Context Re-Evaluation. GA now.
 - Log Investigator with Okta AI. EA 3Q 2024.
 - Policy Recommender with Okta AI. EA now.
 - Governance Analyzer with Okta AI. EA 4Q 2024.



- Identity Governance Entitlement Management. GA now.
- Fastpass + Yubico joint offering. EA now.
- Secure Partner Access. Beta now; EA Q3 2024.

Customer Identity Cloud (CIC)

- **Bot Detection Enhancements.** New CIC feature. GA 2Q 2024.
- **Auth Challenge.** New CIC enhancement. GA in 2Q 2024.
- **Passkeys.** New CIC feature. GA now.
- **Highly Regulated Identity.** A new CIC product bundle. GA 2Q 2024.
- **Continuous Session Protection.** New CIC product. GA expected in 2Q 2024.
- Additional new & upcoming features for CIC include:
 - Fine Grained Authorization. New CIC product. GA now.
 - Verifiable Credentials with Mobile Drivers License. EA 3Q 2024.
 - System for Cross-domain Identity Management (SCIM). New CIC feature. GA 2Q 2024.
 - Identity Flow Optimizer with Okta AI. EA 4Q 2025.
 - Actions Navigator with Okta AI. EA 2Q 2025.
 - Tenant Security Manager with Okta AI. EA 4Q 2024.
 - Guide with Okta AI. EA 3Q 2024.
 - Workflows No-Code Automation. GA now.
 - Phone number as a sole identifier. GA 3Q24.
 - Custom sign-up prompts. GA now.

* All dates are calendar year unless otherwise indicated. Any products, features or functionality referenced in this material that are not currently generally available may not be delivered on time or at all. Product roadmaps do not represent a commitment, obligation or promise to deliver any product, feature or functionality, and you should not rely on them to make your purchase decisions.

Okta Named a Leader in The Forrester Wave™ Workforce Identity Platforms

Okta was named a Leader in [The Forrester Wave™: Workforce Identity Platforms, Q1 2024](#),** the first report of its kind from Forrester.



The report considered how Okta and other vendors measure up in 24 criteria. Okta was evaluated for its Workforce Identity Cloud offering and received the highest score in the current offering category and the highest possible score in the market presence category. In addition, Okta tied for the highest scores among evaluated vendors in the Authentication Methods & Single Sign-On and Identity Federation criteria and received the highest possible scores in half of the criteria evaluated.

** "The Forrester Wave™: Workforce Identity Platforms, Q1 2024," Forrester Research, Inc., March 19, 2024.

OKTA SECURE IDENTITY COMMITMENT

Identity has become the primary enterprise security entry point for all workforce and consumer applications. Meanwhile, the volume and complexity of attacks against entities large and small continues to accelerate. Detecting and protecting against these attacks is mission critical.

As a world-leading independent Identity company, Okta is at the forefront of dealing with attacks. Underscoring our dedication to leading the industry in the fight against Identity attacks, we launched Okta Secure Identity Commitment earlier this year.

Its four main pillars are:

- Elevate our industry to be more protected against Identity attacks
- Champion customer best practices to help ensure they are best protected
- Provide market-leading secure Identity products and services
- Harden our corporate infrastructure

As part of this initiative, we have already delivered or announced a number of important features and upgrades within both our corporate infrastructure and our product portfolio. You can find a summary of these updates in [this white paper](#).



Okta recently signed the CISA [Secure by Design pledge](#), which showcases our industry's commitment to take meaningful steps in adopting secure by design principles.

SOCIAL IMPACT & SUSTAINABILITY

In March, we released our fourth [State of Inclusion report](#), an annual report in which we share an overview of our current workforce demographics and Okta's collective [Diversity, Inclusion, and Belonging \(DIB\)](#) efforts. We believe DIB is a shared responsibility and this report is a culmination of the efforts of so many people, teams, communities, and leaders with whom we are proud to be on this journey. This report is a benchmarking resource used to look back at the progress we've made and, more importantly, identify areas of improvement and opportunities to make meaningful and long-term changes year after year.

Also in March, we released our [FY24 Okta For Good Impact Report](#) in which we highlight our commitment to making positive change in our communities using our grant funding, our identity software platform and the passion and expertise of our employees. Through strategic partnership with our stakeholders, we are meeting a uniquely challenging year to continue to amplify the power of business and technology to do good.

FINANCIAL OUTLOOK

As always, we take a prudent approach to forward guidance. We are factoring in a stable, but still challenging macro environment consistent with what we've experienced over the past few quarters. We also continue to incorporate some conservatism into our outlook as we continue to monitor potential impacts related to last year's security incident.

For the second quarter of FY25, we expect:

- Total revenue of \$631 million to \$633 million, representing growth of 13% to 14%;
- Current RPO of \$1.955 billion to \$1.960 billion, representing growth of 10% to 11%;



- Non-GAAP operating income of \$123 million to \$125 million, which yields a non-GAAP operating margin of 19% to 20%;
- Non-GAAP diluted net income per share of \$0.60 to \$0.61, assuming diluted weighted-average shares outstanding of 182 million; and
- Free cash flow margin of approximately 5%.

For FY25,

- We are raising our revenue outlook and now expect revenue of \$2.530 billion to \$2.540 billion, representing growth of 12%
- We are raising our outlook for non-GAAP operating income and now expect non-GAAP operating income of \$490 million to \$500 million; which yields a non-GAAP operating margin of 19% to 20%;
- Non-GAAP diluted net income per share is now expected to be \$2.35 to \$2.40, assuming diluted weighted-average shares outstanding of 182 million; and
- We are raising our free cash flow margin outlook for FY25 to approximately 22%.

Q2 and FY25 outlook assumes a static 26% non-GAAP effective tax rate.

CONCLUSION

We invite you to join us for a webcast today, May 29, 2024, at 2:00 p.m. PT (5:00 p.m. ET) that will include executive comments followed by Q&A. To access the webcast of the executive comments and Q&A session, visit the IR section of our website at investor.okta.com.

FORWARD-LOOKING STATEMENTS

This prepared commentary 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, global economic conditions have in the past and could in the future reduce demand for our products; we and our third-party service providers have in the past and could in the future experience cybersecurity incidents; we may be unable to manage or sustain the level of growth that our business has experienced in prior periods; our financial resources may not be sufficient to maintain or improve our competitive position; we may be unable to attract new customers, or retain or sell additional products to existing customers; customer growth has slowed in recent periods and could continue to decelerate in the future; we could experience interruptions or performance problems associated with our technology, including a service outage; we and our third-party service providers have failed, or were perceived as having failed, to fully comply with various privacy and security provisions to which we are subject, and similar incidents could occur in the future; we may not achieve expected synergies and efficiencies of operations from recent acquisitions or business combinations, and we may not be able to successfully integrate the companies we acquire; 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 Annual Report on Form 10-K and our other filings with the Securities and Exchange Commission. The forward-looking statements included in this prepared commentary represent our views only as of the date of this prepared commentary and we assume no obligation and do not intend to update these forward-looking statements.