

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

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**FORM 8-K**

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**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 27, 2020**

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**Okta, Inc.**

(Exact name of registrant as specified in its charter)

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**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)**

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(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 27, 2020, Okta, Inc. (the "Company" or "Okta") issued a press release announcing its financial results for the fiscal quarter ended July 31, 2020.

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

## Item 7.01 - Regulation FD Disclosures

On August 27, 2020, the Company posted supplemental investor materials on its investor.okta.com website. 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, investors should monitor Okta's investor relations website in addition to following Okta 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

| <b>Exhibit<br/>Number</b> | <b>Description</b>  |
|---------------------------|---|
| <a href="#">99.1</a>      | Press release dated August 27, 2020, issued by Okta, Inc. |

**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 27th day of August 2020.

**Okta, Inc.**

**By:** /s/ William E. Losch  
**Name:** William E. Losch  
**Title:** Chief Financial Officer  
*(Principal Financial Officer)*

## Okta Announces Strong Second Quarter Results

- *Increases revenue and operating profit outlook for fiscal 2021*
- *Q2 revenue grew 43% year-over-year; subscription revenue grew 44% year-over-year*
- *Remaining performance obligations, or subscription revenue backlog, grew 56% year-over-year*

**SAN FRANCISCO – August 27, 2020** – Okta, Inc. (NASDAQ: OKTA), the leading independent provider of identity for the enterprise, today announced financial results for its second quarter ended July 31, 2020.

"The three mega-trends that have been driving our business for the past several years - the adoption of cloud and hybrid IT, digital transformation, and zero trust security - are all being accelerated globally by the current environment," said Todd McKinnon, Chief Executive Officer and co-founder of Okta. "These trends are reflected in our strong second quarter results and reflect the work that Okta is doing to help organizations around the world accelerate their adoption and deployment of cloud applications, and remote access, and re-imagine their digital customer experiences. As part of this process, organizations are re-evaluating their roadmap to modernize their identity systems and Okta's platform is the linchpin of the new cloud technology stack. We believe that the world will not return to the pre-COVID work environment and Okta is committed to helping our customers on their journeys."

### Second Quarter Fiscal 2021 Financial Highlights:

- **Revenue:** Total revenue was \$200.4 million, an increase of 43% year-over-year. Subscription revenue was \$190.7 million, an increase of 44% year-over-year.
- **Remaining Performance Obligations (RPO):** RPO was \$1.43 billion, an increase of 56% year-over-year. Current RPO, which is contracted subscription revenue expected to be recognized over the next 12 months, was \$684.5 million, up 48% compared to the second quarter of fiscal 2020.
- **Calculated Billings:** Total calculated billings were \$198.1 million, an increase of 27% year-over-year.
- **GAAP Operating Loss:** GAAP operating loss was \$45.4 million, or 22.6% of total revenue, compared to \$43.6 million, or 31.0% of total revenue, in the second quarter of fiscal 2020.
- **Non-GAAP Operating Income/Loss:** Non-GAAP operating income was \$6.5 million, or 3.2% of total revenue, compared to a non-GAAP operating loss of \$9.9 million, or 7.1% of total revenue, in the second quarter of fiscal 2020.
- **GAAP Net Loss:** GAAP net loss was \$60.1 million, compared to \$43.0 million in the second quarter of fiscal 2020. GAAP net loss per share was \$0.48, compared to \$0.37 in the second quarter of fiscal 2020.
- **Non-GAAP Net Income/Loss:** Non-GAAP net income was \$9.9 million, compared to a non-GAAP net loss of \$5.2 million in the second quarter of fiscal 2020. Non-GAAP basic net income per share was \$0.08, compared to a non-GAAP basic net loss per share of \$0.05 in the second quarter of fiscal 2020. Non-GAAP diluted net income per share was \$0.07, compared to a non-GAAP diluted net loss per share of \$0.05 in the second quarter of fiscal 2020.
- **Cash Flow:** Net cash provided by operations was \$10.9 million, or 5.5% of total revenue, compared to net cash provided by operations of \$1.1 million, or 0.8% of total revenue, in the second quarter of fiscal

2020. Free cash flow was \$6.9 million, or 3.4% of total revenue, compared to negative \$4.3 million, or 3.1% of total revenue, in the second quarter of fiscal 2020.

- **Cash, cash equivalents, and short-term investments** were \$2.5 billion at July 31, 2020.

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:**

"We are pleased with our continued execution and excellent second quarter results," said Bill Losch, Chief Financial Officer of Okta. "We believe it's prudent to continue to expect some near-term economic uncertainty as the business impacts stemming from the pandemic further unfold; however, our strong first half results give us confidence in raising our fiscal year 2021 outlook for both revenue and profitability."

For the third quarter of fiscal 2021, the Company expects:

- Total revenue of \$202 million to \$203 million, representing a growth rate of 32% to 33% year-over-year
- Non-GAAP operating loss of \$3.0 million to \$2.0 million
- Non-GAAP net loss per share of \$0.02 to \$0.01, assuming weighted shares outstanding of approximately 129 million

For the full year fiscal 2021, the Company now expects:

- Total revenue of \$800 million to \$803 million, representing a growth rate of 37% year-over-year
- Non-GAAP operating loss of \$13.0 million to \$11.0 million
- Non-GAAP net loss per share of \$0.03 to \$0.01, assuming weighted shares outstanding of approximately 127 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 its most directly comparable GAAP measure because certain items are out of Okta's control or cannot be reasonably predicted. Accordingly, a reconciliation for forward-looking non-GAAP operating loss and non-GAAP net loss per share is not available without unreasonable effort.

**Conference Call Information:**

Okta will host a live video webcast at 2:00 p.m. Pacific Time on August 27, 2020 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](http://investor.okta.com) prior to the conference call. The live video webcast of the conference call will be accessible from the Okta investor relations website at [investor.okta.com](http://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](http://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 income (loss), non-GAAP operating margin, non-GAAP net income (loss), non-GAAP net margin, non-GAAP net income (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, amortization of debt discount and debt issuance costs, non-cash charitable contributions, amortization of acquired intangibles, acquisition-related expenses and loss on early extinguishment of debt.

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; our results of operations may fluctuate more than expected; there may be significant fluctuations in our results of operations and cash flows related to our revenue recognition or otherwise; 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; a network or data security incident that allows unauthorized access to our network or data or our customers' data could damage our reputation; we could experience interruptions or performance problems associated with our technology, including a service outage; we may not be able to pay off our convertible senior notes when due; and global economic conditions could deteriorate. 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 provider of identity for the enterprise. The Okta Identity Cloud enables organizations to securely connect the right people to the right technologies at the right time. With over 6,500 pre-built integrations to applications and infrastructure providers, Okta customers can easily and securely use the best technologies for their business. Over 8,950 organizations, including Engie, JetBlue, Nordstrom, Takeda Pharmaceutical, Teach for America, T-Mobile and Twilio, 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<br>July 31, |                    | Six Months Ended<br>July 31, |                    |
|--|--------------------------------|--------------------|------------------------------|--------------------|
|  | 2020                           | 2019               | 2020                         | 2019               |
| <b>Revenue:</b>  |                                |                    |                              |                    |
| Subscription   | \$ 190,689                     | \$ 132,494         | \$ 364,470                   | \$ 249,657         |
| Professional services and other  | 9,757                          | 7,986              | 18,835                       | 16,046             |
| <b>Total revenue</b>   | <b>200,446</b>                 | <b>140,480</b>     | <b>383,305</b>               | <b>265,703</b>     |
| <b>Cost of revenue:</b>  |                                |                    |                              |                    |
| Subscription <sup>(1)</sup>  | 39,501                         | 27,917             | 76,658                       | 52,457             |
| Professional services and other <sup>(1)</sup>                                       | 11,646                         | 10,863             | 22,975                       | 21,418             |
| <b>Total cost of revenue</b>   | <b>51,147</b>                  | <b>38,780</b>      | <b>99,633</b>                | <b>73,875</b>      |
| <b>Gross profit</b>  | <b>149,299</b>                 | <b>101,700</b>     | <b>283,672</b>               | <b>191,828</b>     |
| <b>Operating expenses:</b>   |                                |                    |                              |                    |
| Research and development <sup>(1)</sup>  | 53,866                         | 40,045             | 102,360                      | 74,077             |
| Sales and marketing <sup>(1)</sup>   | 98,322                         | 78,385             | 202,365                      | 160,497            |
| General and administrative <sup>(1)</sup>  | 42,499                         | 26,887             | 76,534                       | 52,653             |
| <b>Total operating expenses</b>  | <b>194,687</b>                 | <b>145,317</b>     | <b>381,259</b>               | <b>287,227</b>     |
| <b>Operating loss</b>  | <b>(45,388)</b>                | <b>(43,617)</b>    | <b>(97,587)</b>              | <b>(95,399)</b>    |
| Interest expense   | (16,931)                       | (4,304)            | (27,695)                     | (8,545)            |
| Interest income and other, net   | 3,960                          | 3,464              | 8,859                        | 6,364              |
| Loss on early extinguishment of debt   | (2,174)                        | —                  | (2,174)                      | —                  |
| <b>Interest and other, net</b>   | <b>(15,145)</b>                | <b>(840)</b>       | <b>(21,010)</b>              | <b>(2,181)</b>     |
| <b>Loss before benefit from income taxes</b>   | <b>(60,533)</b>                | <b>(44,457)</b>    | <b>(118,597)</b>             | <b>(97,580)</b>    |
| Benefit from income taxes  | (433)                          | (1,477)            | (835)                        | (2,634)            |
| <b>Net loss</b>  | <b>\$ (60,100)</b>             | <b>\$ (42,980)</b> | <b>\$ (117,762)</b>          | <b>\$ (94,946)</b> |
| <b>Net loss per share, basic and diluted</b>   | <b>\$ (0.48)</b>               | <b>\$ (0.37)</b>   | <b>\$ (0.94)</b>             | <b>\$ (0.83)</b>   |
| <b>Weighted-average shares used to compute net loss per share, basic and diluted</b> | <b>126,319</b>                 | <b>115,033</b>     | <b>124,922</b>               | <b>114,042</b>     |

<sup>(1)</sup> Amounts include stock-based compensation expense as follows (in thousands):

|   | Three Months Ended<br>July 31, |                  | Six Months Ended<br>July 31, |                  |
|---|--------------------------------|------------------|------------------------------|------------------|
|   | 2020                           | 2019             | 2020                         | 2019             |
| Cost of subscription revenue                  | \$ 5,164                       | \$ 3,111         | \$ 9,139                     | \$ 5,533         |
| Cost of professional services and other       | 2,000                          | 1,873            | 3,811                        | 3,392            |
| Research and development                      | 14,953                         | 9,082            | 26,888                       | 15,428           |
| Sales and marketing                           | 13,165                         | 9,236            | 24,325                       | 16,022           |
| General and administrative                    | 13,112                         | 7,972            | 21,959                       | 13,584           |
| <b>Total stock-based compensation expense</b> | <b>\$ 48,394</b>               | <b>\$ 31,274</b> | <b>\$ 86,122</b>             | <b>\$ 53,959</b> |

**OKTA, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands)

(unaudited)

|   | July 31,<br>2020    | January 31,<br>2020 |
|---|---------------------|---------------------|
| <b>Assets</b>                                     |                     |                     |
| Current assets:                                   |                     |                     |
| Cash and cash equivalents                         | \$ 957,234          | \$ 520,048          |
| Short-term investments                            | 1,557,279           | 882,976             |
| Accounts receivable, net of allowances            | 110,540             | 130,115             |
| Deferred commissions                              | 37,808              | 33,636              |
| Prepaid expenses and other current assets         | 44,074              | 32,950              |
| Total current assets                              | 2,706,935           | 1,599,725           |
| Property and equipment, net                       | 63,406              | 53,535              |
| Operating lease right-of-use assets               | 157,781             | 125,204             |
| Deferred commissions, noncurrent                  | 86,556              | 77,874              |
| Intangible assets, net                            | 30,031              | 32,529              |
| Goodwill  | 48,023              | 48,023              |
| Other assets                                      | 22,283              | 18,505              |
| <b>Total assets</b>                               | <b>\$ 3,115,015</b> | <b>\$ 1,955,395</b> |
| <b>Liabilities and stockholders' equity</b>       |                     |                     |
| Current liabilities:                              |                     |                     |
| Accounts payable                                  | \$ 4,726            | \$ 3,837            |
| Accrued expenses and other current liabilities    | 54,803              | 36,887              |
| Accrued compensation                              | 39,227              | 40,300              |
| Convertible senior notes, net                     | 43,578              | 100,703             |
| Deferred revenue                                  | 391,246             | 365,236             |
| Total current liabilities                         | 533,580             | 546,963             |
| Convertible senior notes, net, noncurrent         | 1,689,438           | 837,002             |
| Operating lease liabilities, noncurrent           | 189,208             | 154,511             |
| Deferred revenue, noncurrent                      | 5,574               | 6,214               |
| Other liabilities, noncurrent                     | 12,018              | 5,361               |
| Total liabilities                                 | 2,429,818           | 1,550,051           |
| Stockholders' equity:                             |                     |                     |
| Preferred stock                                   | —                   | —                   |
| Class A common stock                              | 12                  | 11                  |
| Class B common stock                              | 1                   | 1                   |
| Additional paid-in capital                        | 1,498,549           | 1,105,564           |
| Accumulated other comprehensive income            | 5,521               | 892                 |
| Accumulated deficit                               | (818,886)           | (701,124)           |
| Total stockholders' equity                        | 685,197             | 405,344             |
| <b>Total liabilities and stockholders' equity</b> | <b>\$ 3,115,015</b> | <b>\$ 1,955,395</b> |

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

(In thousands)

(unaudited)

|   | Six Months Ended July 31, |                   |
|---|---------------------------|-------------------|
|   | 2020                      | 2019              |
| <b>Cash flows from operating activities:</b>  |                           |                   |
| Net loss  | \$ (117,762)              | \$ (94,946)       |
| Adjustments to reconcile net loss to net cash provided by operating activities:                     |                           |                   |
| Stock-based compensation  | 86,106                    | 53,959            |
| Depreciation, amortization and accretion  | 12,691                    | 7,916             |
| Amortization of debt discount and issuance costs  | 26,330                    | 8,113             |
| Amortization of deferred commissions  | 18,077                    | 13,192            |
| Deferred income taxes   | (1,915)                   | (3,057)           |
| Non-cash charitable contributions   | 2,417                     | 652               |
| Loss on early extinguishment of debt  | 2,174                     | —                 |
| Other, net  | 1,435                     | 84                |
| Changes in operating assets and liabilities:  |                           |                   |
| Accounts receivable   | 18,626                    | 4,459             |
| Deferred commissions  | (30,332)                  | (21,372)          |
| Prepaid expenses and other assets   | (7,622)                   | 1,534             |
| Operating lease right-of-use assets   | 8,972                     | 6,189             |
| Accounts payable  | 810                       | 1,368             |
| Accrued compensation  | 15,045                    | 4,717             |
| Accrued expenses and other liabilities  | (3,131)                   | 1,304             |
| Operating lease liabilities   | (7,663)                   | (159)             |
| Deferred revenue  | 25,369                    | 36,175            |
| Net cash provided by operating activities   | 49,627                    | 20,128            |
| <b>Cash flows from investing activities:</b>  |                           |                   |
| Capitalization of internal-use software costs   | (2,326)                   | (1,330)           |
| Purchases of property and equipment   | (10,669)                  | (9,917)           |
| Purchases of securities available for sale and other  | (1,029,281)               | (237,693)         |
| Proceeds from maturities and redemption of securities available for sale                            | 280,395                   | 136,344           |
| Proceeds from sales of securities available for sale and other                                      | 89,620                    | 17,329            |
| Purchases of intangible assets  | —                         | (8,500)           |
| Payments for business acquisition, net of cash acquired   | —                         | (44,223)          |
| Net cash used in investing activities   | (672,261)                 | (147,990)         |
| <b>Cash flows from financing activities:</b>  |                           |                   |
| Proceeds from issuance of convertible senior notes, net of issuance costs                           | 1,135,418                 | —                 |
| Payments for repurchases of convertible senior notes  | (181)                     | —                 |
| Proceeds from hedges related to convertible senior notes  | 195,046                   | —                 |
| Payments for warrants related to convertible senior notes   | (175,399)                 | —                 |
| Purchases of capped calls related to convertible senior notes                                       | (133,975)                 | —                 |
| Proceeds from stock option exercises  | 27,517                    | 27,453            |
| Proceeds from shares issued in connection with employee stock purchase plan                         | 12,821                    | 9,005             |
| Other, net  | —                         | (126)             |
| Net cash provided by financing activities   | 1,061,247                 | 36,332            |
| Effects of changes in foreign currency exchange rates on cash, cash equivalents and restricted cash | 578                       | (1,187)           |
| Net increase (decrease) in cash, cash equivalents and restricted cash                               | 439,191                   | (92,717)          |
| Cash, cash equivalents and restricted cash at beginning of period                                   | 531,953                   | 311,215           |
| <b>Cash, cash equivalents and restricted cash at end of period</b>                                  | <b>\$ 971,144</b>         | <b>\$ 218,498</b> |

**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 and amortization of acquired intangibles.

|   | Three Months Ended<br>July 31, |                   | Six Months Ended<br>July 31, |                   |
|---|--------------------------------|-------------------|------------------------------|-------------------|
|   | 2020                           | 2019              | 2020                         | 2019              |
| Gross profit  | \$ 149,299                     | \$ 101,700        | \$ 283,672                   | \$ 191,828        |
| Add:  |                                |                   |                              |                   |
| Stock-based compensation expense included in cost of revenue <sup>(1)</sup> | 7,164                          | 4,984             | 12,950                       | 8,925             |
| Amortization of acquired intangibles  | 1,594                          | 1,785             | 3,187                        | 2,548             |
| Non-GAAP gross profit   | <u>\$ 158,057</u>              | <u>\$ 108,469</u> | <u>\$ 299,809</u>            | <u>\$ 203,301</u> |
| Gross margin  | 74%                            | 72%               | 74%                          | 72%               |
| Non-GAAP gross margin   | 79%                            | 77%               | 78%                          | 77%               |

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

**Non-GAAP Operating Income (Loss) and Non-GAAP Operating Margin**

We define non-GAAP operating income (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-related expenses.

|   | Three Months Ended<br>July 31, |                   | Six Months Ended<br>July 31, |                    |
|---|--------------------------------|-------------------|------------------------------|--------------------|
|   | 2020                           | 2019              | 2020                         | 2019               |
| Operating loss                                  | \$ (45,388)                    | \$ (43,617)       | \$ (97,587)                  | \$ (95,399)        |
| Add:  |                                |                   |                              |                    |
| Stock-based compensation expense <sup>(1)</sup> | 48,394                         | 31,274            | 86,122                       | 53,959             |
| Non-cash charitable contributions               | 1,881                          | 652               | 2,417                        | 652                |
| Amortization of acquired intangibles            | 1,594                          | 1,785             | 3,187                        | 2,548              |
| Acquisition-related expenses <sup>(2)</sup>     | —                              | —                 | —                            | 3,449              |
| Non-GAAP operating income (loss)                | <u>\$ 6,481</u>                | <u>\$ (9,906)</u> | <u>\$ (5,861)</u>            | <u>\$ (34,791)</u> |
| Operating margin                                | (23)%                          | (31)%             | (25)%                        | (36)%              |
| Non-GAAP operating margin                       | 3 %                            | (7)%              | (2)%                         | (13)%              |

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

<sup>(2)</sup> We define acquisition-related expenses as costs associated with acquisitions, including transaction costs and other non-recurring incremental costs incurred.

### Non-GAAP Net Income (Loss) and Non-GAAP Net Margin

We define non-GAAP net income (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-related expenses, amortization of debt discount and debt issuance costs and loss on early extinguishment of debt.

|  | Three Months Ended<br>July 31, |                     | Six Months Ended<br>July 31, |                     |
|--|--------------------------------|---------------------|------------------------------|---------------------|
|  | 2020                           | 2019 <sup>(1)</sup> | 2020                         | 2019 <sup>(1)</sup> |
| Net loss   | \$ (60,100)                    | \$ (42,980)         | \$ (117,762)                 | \$ (94,946)         |
| Add:   |                                |                     |                              |                     |
| Stock-based compensation expense <sup>(2)</sup>                      | 48,394                         | 31,274              | 86,122                       | 53,959              |
| Non-cash charitable contributions                                    | 1,881                          | 652                 | 2,417                        | 652                 |
| Amortization of acquired intangibles                                 | 1,594                          | 1,785               | 3,187                        | 2,548               |
| Acquisition-related expenses <sup>(3)</sup>                          | —                              | —                   | —                            | 3,449               |
| Amortization of debt discount and debt issuance costs <sup>(4)</sup> | 15,973                         | 4,088               | 26,330                       | 8,113               |
| Loss on early extinguishment of debt <sup>(5)</sup>                  | 2,174                          | —                   | 2,174                        | —                   |
| Non-GAAP net income (loss)   | \$ 9,916                       | \$ (5,181)          | \$ 2,468                     | \$ (26,225)         |
| Net margin   | (30)%                          | (31)%               | (31)%                        | (36)%               |
| Non-GAAP net margin  | 5 %                            | (4)%                | 1 %                          | (10)%               |

<sup>(1)</sup> Prior periods have been adjusted to conform to the current presentation. See footnotes (4) and (5) for additional details.

<sup>(2)</sup> See table in footnote (1) to the condensed consolidated statements of operations above for breakdown of stock-based compensation expense by line item.

<sup>(3)</sup> We define acquisition-related expenses as costs associated with acquisitions, including transaction costs and other non-recurring incremental costs incurred.

<sup>(4)</sup> Amortization of debt issuance costs is an adjustment to non-GAAP net income (loss), effective the three and six months ended July 31, 2020. Debt issuance costs included are \$0.8 million and \$1.4 million for the three and six months ended July 31, 2020, respectively, and \$0.3 million and \$0.6 million for the three and six months ended July 31, 2019, respectively.

<sup>(5)</sup> Loss on early extinguishment of debt is calculated inclusive of write-offs of debt issuance costs, effective the three and six months ended July 31, 2020. The amounts of these write-offs are \$1.0 million for the three and six months ended July 31, 2020, respectively, and nil for the three and six months ended July 31, 2019, respectively.

### Non-GAAP Net Income (Loss) per share, basic and diluted

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

We define non-GAAP net income (loss) per share, diluted, as non-GAAP net income (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 income (loss) per share, diluted, includes the anti-dilutive impact of the Company's note hedge and capped call agreements on convertible senior notes outstanding, which fully reduced the potential dilutive effect of the convertible senior notes outstanding. Accordingly, the Company did not record any adjustments to non-GAAP net income (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, |                     |
|--|-----------------------------|---------------------|---------------------------|---------------------|
|  | 2020                        | 2019 <sup>(1)</sup> | 2020                      | 2019 <sup>(1)</sup> |
| Net loss   | \$ (60,100)                 | \$ (42,980)         | \$ (117,762)              | \$ (94,946)         |
| Add:   |                             |                     |                           |                     |
| Stock-based compensation expense <sup>(2)</sup>  | 48,394                      | 31,274              | 86,122                    | 53,959              |
| Non-cash charitable contributions  | 1,881                       | 652                 | 2,417                     | 652                 |
| Amortization of acquired intangibles   | 1,594                       | 1,785               | 3,187                     | 2,548               |
| Acquisition-related expenses <sup>(3)</sup>  | —                           | —                   | —                         | 3,449               |
| Amortization of debt discount and debt issuance costs <sup>(4)</sup>                           | 15,973                      | 4,088               | 26,330                    | 8,113               |
| Loss on early extinguishment of debt <sup>(5)</sup>  | 2,174                       | —                   | 2,174                     | —                   |
| Non-GAAP net income (loss)   | \$ 9,916                    | \$ (5,181)          | \$ 2,468                  | \$ (26,225)         |
| Weighted-average shares used to compute net loss per share, basic and diluted                  | 126,319                     | 115,033             | 124,922                   | 114,042             |
| Non-GAAP weighted-average effect of potentially dilutive securities                            | 15,936                      | —                   | 16,281                    | —                   |
| Non-GAAP weighted-average shares used to compute non-GAAP net income (loss) per share, diluted | 142,255                     | 115,033             | 141,203                   | 114,042             |
| Net loss per share, basic and diluted  | \$ (0.48)                   | \$ (0.37)           | \$ (0.94)                 | \$ (0.83)           |
| Non-GAAP net income (loss) per share, basic <sup>(6)</sup>                                     | \$ 0.08                     | \$ (0.05)           | \$ 0.02                   | \$ (0.23)           |
| Non-GAAP net income (loss) per share, diluted <sup>(6)</sup>                                   | \$ 0.07                     | \$ (0.05)           | \$ 0.02                   | \$ (0.23)           |

<sup>(1)</sup> Prior periods have been adjusted to conform to the current presentation. See footnotes (4), (5) and (6) for additional details.

<sup>(2)</sup> See table in footnote (1) to the condensed consolidated statements of operations above for breakdown of stock-based compensation expense by line item.

<sup>(3)</sup> We define acquisition-related expenses as costs associated with acquisitions, including transaction costs and other non-recurring incremental costs incurred.

<sup>(4)</sup> Amortization of debt issuance costs is an adjustment to non-GAAP net income (loss), effective the three and six months ended July 31, 2020. Debt issuance costs included are \$0.8 million and \$1.4 million for the three and six months ended July 31, 2020, respectively, and \$0.3 million and \$0.6 million for the three and six months ended July 31, 2019, respectively.

<sup>(5)</sup> Loss on early extinguishment of debt is calculated inclusive of write-offs of debt issuance costs, effective the three and six months ended July 31, 2020. The amounts of these write-offs are \$1.0 million for the three and six months ended July 31, 2020, respectively, and nil for the three and six months ended July 31, 2019, respectively.

<sup>(6)</sup> The total impact of the adjustments noted in footnotes (4) and (5) and for the periods noted in footnote (1) above on non-GAAP net income (loss) per share, basic and diluted is nil and \$0.01 for the three and six months ended July 31, 2019, respectively.

**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 operating activities, less cash used for purchases of property and equipment and capitalized internal-use software costs. Free cash flow margin is calculated as free cash flow divided by total revenue.

|   | Three Months Ended<br>July 31, |             | Six Months Ended<br>July 31, |              |
|---|--------------------------------|-------------|------------------------------|--------------|
|   | 2020                           | 2019        | 2020                         | 2019         |
| Net cash provided by (used in) operating activities | \$ 10,930                      | \$ (1,134)  | \$ 49,627                    | \$ 20,128    |
| Less:   |                                |             |                              |              |
| Purchases of property and equipment                 | (2,739)                        | (2,207)     | (10,669)                     | (9,917)      |
| Capitalization of internal-use software costs       | (1,326)                        | (961)       | (2,326)                      | (1,330)      |
| Free cash flow                                      | \$ 6,865                       | \$ (4,302)  | \$ 36,632                    | \$ 8,881     |
| Net cash used in investing activities               | \$ (722,865)                   | \$ (22,383) | \$ (672,261)                 | \$ (147,990) |
| Net cash provided by financing activities           | \$ 1,047,080                   | \$ 23,070   | \$ 1,061,247                 | \$ 36,332    |
| Free cash flow margin                               | 3%                             | (3)%        | 10%                          | 3%           |

**Calculated Billings**

We define Calculated Billings as total revenue plus the change in deferred revenue and less the change in unbilled receivables during the period.

|   | Three Months Ended<br>July 31, |            | Six Months Ended<br>July 31, |            |
|---|--------------------------------|------------|------------------------------|------------|
|   | 2020                           | 2019       | 2020                         | 2019       |
| Total revenue                                       | \$ 200,446                     | \$ 140,480 | \$ 383,305                   | \$ 265,703 |
| Add:  |                                |            |                              |            |
| Unbilled receivables, current (beginning of period) | 1,121                          | 799        | 1,026                        | 1,457      |
| Deferred revenue, current (end of period)           | 391,246                        | 283,724    | 391,246                      | 283,724    |
| Less:   |                                |            |                              |            |
| Unbilled receivables, current (end of period)       | (2,113)                        | (1,004)    | (2,113)                      | (1,004)    |
| Deferred revenue, current (beginning of period)     | (392,121)                      | (268,033)  | (365,236)                    | (245,622)  |
| Current calculated billings                         | 198,579                        | 155,966    | 408,228                      | 304,258    |
| Add:  |                                |            |                              |            |
| Deferred revenue, noncurrent (end of period)        | 5,574                          | 7,469      | 5,574                        | 7,469      |
| Less:   |                                |            |                              |            |
| Deferred revenue, noncurrent (beginning of period)  | (6,070)                        | (7,671)    | (6,214)                      | (8,768)    |
| Calculated billings                                 | \$ 198,083                     | \$ 155,764 | \$ 407,588                   | \$ 302,959 |