Good afternoon, and thank you for joining us on today's conference call to discuss the financial results of Okta's fourth quarter and fiscal year 2020. With me on today's call are Todd McKinnon, Okta's Co-Founder and Chief Executive Officer; Bill Losch, the company's Chief Financial Officer; and Frederic Kerrest, the company's Co-Founder and Chief Operating Officer.

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

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

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

And now I'd like to turn the call over to Todd McKinnon. Todd?
Todd McKinnon, Okta, Inc. - Co-Founder, Chairman & CEO

Thanks, Dave, and thanks, everyone, for joining us today. Our strong fourth quarter financial results capped another fantastic year for Okta. Total fourth quarter revenue grew 45%. Subscription revenue grew 46%. Remaining performance obligations, or RPO, grew 66%. And we generated record operating and free cash flow. What drove these results is our continued execution and growing presence as the standard for identity and access management. We are now achieving these results at scale while simultaneously investing in the business to capture a tremendous opportunity that remains in front of us.

One of the areas that we've been investing in is growing our base of large enterprise customers. We're seeing those investments pay off, and it's reflected in the addition of a record 142 customers with annual contract value greater than $100,000 in the fourth quarter. Once again, over half of these additions were from new customers. The total number of $100,000-plus customers is now 1,467, an increase of 41%. These large enterprise wins are from a wide range of industries.

To provide some insight into the diversity of our customers and the types of challenges our products help them solve, I'll share some details of a few notable wins and upsells from the fourth quarter. A Global 2000 power management company with over 100,000 employees and doing business in more than 175 countries is establishing Okta as the identity standard. Its workforce, including contractors and partners, will be able to securely access both cloud and on-premise applications, regardless of their location. The company selected Okta in order to strengthen and modernize its security posture. They recognize tremendous value in Okta's independence and neutrality to solve its workforce and partner identity needs.

Autodesk is the global leader in design and engineering software. The company recently selected the Okta Identity Cloud to centralize identity and access management for its customers. The high scalability and availability provided by our customer identity solutions, including Okta DynamicScale, was an important factor in the company selecting Okta. With Okta as the identity layer, Autodesk is investing in secure and flexible ways for its customers to securely access their products.

A leading European film and television studio and distributor with over 8 million subscribers worldwide is a new customer identity win. Included in the agreement was our new DynamicScale product, which will be able to support peak website traffic of up to 90,000 connections per minute during large events such as the biggest soccer games of the season. The company expects to attract even more customers through recent partnerships with Netflix and Disney Plus and will rely on Okta to deliver a secure customer experience.

NTT DATA, a top 10 global business and IT services provider, was a notable upsell in the quarter. With over 120,000 professionals in more than 50 countries, they launched a company-wide initiative that combine the expertise and resources from its NTT DATA Group companies to create a modern identity solution to unify its multiple global companies. After its initial success deploying Okta's workforce identity products to provide secure, single sign-on, NTT DATA expanded its deployment with Universal Directory, Lifecycle Management and Workflows. The company will have centralized tools that power identity decisions across its complex ecosystem. This will automate processes as employees join, leave or move across the company, reducing time and cost associated with manual processes.

Security and privacy is of utmost importance to all our customers, but especially for those in the finance and banking industry, trust is the foundation of their relationships with their customers. So it's absolutely critical that their customers feel secure while accessing sensitive financial information. Our expertise and reputation within the finance vertical is earning us more and more customers, especially with Okta customer identity solutions. These customers range from regional banks to some of the largest financial institutions in the world.

There are 3 primary factors driving our success with customers. #1 is the rapid growth of cloud and hybrid IT. Identity has become increasingly complex as organizations move to the cloud. And over the past 11 years, we've built the broadest cloud-based identity platform that is scalable, caters to hybrid deployments, is easily deployed and is highly customizable.

Two is digital transformation. Customers recognize that the cloud has changed everything and is forcing every company to become a technology company. Organizations are now looking to Okta to help them navigate this new environment and implement an identity solution that will meet their complex hybrid environment needs and improve their digital customer interactions.
And three, is security. More than 70% of hacking-related breaches are caused by stolen credentials. With the adoption of Zero Trust environment, the traditional security perimeter has dissolved, and identity is now at the heart of the new security stack. Identity plays a critical role in each of these megatrends, and organizations are turning to Okta because we are uniquely able to address the broadest set of use cases. We are independent and neutral and have built the most extensive catalog of integrations. This is essential for organizations deploying best-of-breed applications, which is common in today's mid- to large-sized organizations.

Through our industry leadership and innovation, we've earned our customers' trust, and in many cases, we've become a trusted adviser. The added benefit is that as our customer base grows, we are able to generate more and more data insights that can be harnessed to enhance our existing products such as Okta SecurityInsights, which we released last October, and offer even better products. In turn, these products enable our customers to be more successful and generate a network effect flywheel, which helps position us for continued market leadership.

Turning to our customer conference. Because nothing is more important to us than the health and safety of the Okta community, we will be hosting Oktane20 as a virtual conference this year, Oktane Live, offering both our keynotes and dozens of breakout sessions online. As we followed the coronavirus news, it became clear that the best way to safely engage with our whole community is through a digital conference experience. Investor Day, which we're hosting in conjunction with Oktane, will be virtual as well. Replacing the in-person events with dynamic video content will enable us to bring our customers, partners, investors and employees together in a healthy and productive way. We look forward to sharing our vision, product innovations and latest customer journeys with you over the stream the week of March 30.

As you may remember, last year at Oktane, we launched new products like Okta Access Gateway and Advanced Server Access. Access Gateway delivers a single point of management for administrators and one place to go for end users to access both their cloud and legacy on-premise apps. Advanced Server Access provides continuous authentication and centralized access controls for servers. We've been happy with the early adoption of both products.

In my keynote address this year, I will touch on how Okta's products are designed to meet a growing number of use cases and how identity has become its own platform. I'll cover how our workforce identity products enable employees, contractors and partners to securely access the right technology they need to do their jobs and how our customer identity products enable our customers to build secure digital experiences for their customers.

I'll be talking more about additions to the Okta Identity Cloud that will enable us to deliver even more innovation and provide our customers with more freedom to build customized access experiences. Our modern architecture is built on a single stack of technology that provides our customers with easy deployment and is highly configurable. Oktane Live will be an amazing event that you won't want to miss.

In closing, I'm very proud of what we accomplished in fiscal '20. Here are the highlights. Revenue increased 47%. Our non-GAAP operating margin improved by 210 basis points. And we were free cash flow positive for the year. We expanded our portfolio with several new products and services that provide even greater value to our customers and increased the number of use cases. We were recognized by market research firms as having the clear leadership position in identity and access management.

We were certified as a Great Place to Work and strengthened our team by adding nearly 700 incredibly talented people around the world. We further expanded our presence with new domestic and international offices and new infrastructure in APAC. We established Okta Ventures to help fuel the next-generation of modern identity solution. And our Okta For Good program continued to expand its reach with the launch of its first product innovation program focused on social impact with Apps for Good.

We couldn't have done this without the dedication of our customers, the great ecosystem of global partnerships and the tireless work of our employees. For that, I am exceptionally grateful. But now it's on to even greater things in fiscal '21 and beyond as we are just beginning to tap into the massive market opportunity as we enable any organization to use any technology.

Thanks again for your time, and I'd now like to turn the call over to Bill to walk through more details of our financial results. Bill?
William E. Losch Okta, Inc. - CFO

Thanks, Todd, and thanks again to everyone for joining us. As a reminder, we have posted an earnings presentation that is available on our IR website and contains our detailed financial results. I think you’ll find it to be a useful summary. And as such, I will only cover a few of the notable highlights in my commentary this afternoon, leaving more time for Q&A.

As Todd mentioned, we maintained the strong momentum that we built throughout the year. Our better-than-expected top line growth has resulted in strong operating leverage as demonstrated by better-than-expected operating loss, operating margin, loss per share and cash flow.

Turning to our Q4 results. Total revenue increased 45%, driven by a 46% increase in subscription revenue. Subscription revenue represented 95% of our total revenue.

RPO, or backlog, which for us is contracted subscription revenue, both billed and unbilled that has not yet been recognized, grew 66% to just over $1.2 billion. The robust growth in total RPO reflects the continued success we've been seeing with large enterprise customers that Todd mentioned. These contracts tend to be larger in value and longer in length. For example, the number of transactions with a total contract value of $1 million or more grew over 80% compared to Q4 last year. And the weighted average term length of those transactions is nearly 4 years, which is 50% longer than our overall average term length.

As we continue to see success with winning the world's largest organizations and broader adoption across our growing product portfolio, we expect the average contract size and term length to continue to trend upwards over time. Current RPO, which represents subscription revenue we expect to recognize over the next 12 months, also experienced strong growth of 54%, an acceleration from the 52% growth in Q3. Year-over-year growth in current RPO is the more meaningful metric when viewed along with subscription revenue and billings growth.

Total calculated billings grew 42%, and current calculated billings growth accelerated to 46%. The strength in billings continues to be driven by new and existing customers for both workforce and customer identity across all our geographies.

Turning to retention. Our dollar-based net retention rate for the trailing 12-month period was 119%, a 2 point increase from Q3. The increase was driven by strong customer upsell, particularly with our enterprise customers as we grow our business with and within the world's largest organizations. As we've mentioned in previous quarters, the net retention rate may fluctuate from quarter-to-quarter.

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

Now looking at operating expenses. Total operating expenses grew 45%. Consistent with prior quarters, the increase is primarily driven by investments we are making to capture more of our large addressable market. The biggest component of the spend increase is related to scaling headcount to support our strategic initiatives. We are adding headcount across the board, but primarily in our customer-facing and innovation teams. We've been successful in attracting and retaining great talent, and total headcount grew 44% to over 2,200.

We generated record cash flow from operations and free cash flow, which yielded an 11% free cash flow margin. We ended the fourth quarter with $1.4 billion in cash, cash equivalents and short-term investments. I know many of you look at the sum of revenue growth and free cash flow margin as a key metric when evaluating companies. We have significantly outperformed the Rule of 40 for the past 2 years. This exemplifies the leverage that is inherent in our financial model as we maintain industry-leading revenue growth while showing steady free cash flow margin expansion.

Moving on to our business outlook. We remain optimistic about the demand for our products. While we continue to closely monitor the business environment, to date, we have not experienced any impact to our demand related to the coronavirus, and this is reflected in our guidance.

For the first quarter of fiscal 2021, we expect total revenue of $171 million to $173 million, representing a growth rate of 37% to 38%
year-over-year; non-GAAP operating loss of $33.2 million to $32.2 million; and non-GAAP net loss per share of $0.24 to $0.23, assuming weighted shares outstanding of approximately $123 million.

We are increasing our full year 2021 revenue outlook from the preliminary view that we provided last quarter. For the full fiscal year 2021, we now expect total revenue of $770 million to $780 million, representing a growth rate of 31% to 33% year-over-year. Also, we expect non-GAAP operating loss of $65 million to $57 million and non-GAAP net loss per share of $0.42 to $0.37, assuming weighted shares outstanding of approximately 125 million.

Consistent with our approach throughout last year, our bias is to reinvest revenue upside in investments to continue the innovation of our platform, fuel growth and further enhance our competitive positioning. That being said, we are taking a disciplined approach, and we’ll only invest in opportunities that we believe will yield a meaningful return. We’ve demonstrated that we were able to grow responsibly by balancing continued top line momentum with margin expansion and expect to be free cash flow positive again for fiscal ’21 with some quarterly fluctuations due to working capital and seasonal factors.

We’re also planning on capital expenditures of approximately $35 million in fiscal ’21 related to new and expanded facilities needed to accommodate our growing workforce. I would also like to remind everyone for your models that Q1 operating margin has some seasonality related to expenses for Oktane, our annual sales kickoff and the reset of payroll taxes.

In summary, this has been a tremendous year of growth across our entire business. Our industry-leading cloud based platform is addressing more and more of our customers’ complex use cases as we continue to introduce new products and functionality, and we achieved particular success with large enterprise customers, both a testament to the investments we’ve been making. While the progress we made so far has been great, we believe this is just the beginning and plan to further capitalize on the tremendous market opportunity in front of us.

And finally, as Todd mentioned, we are going forward with our Investor Day in a virtual format. We’ll provide more details in the coming weeks. But note that we’ve moved Investor Day to April 1. It will be a great event, where you’ll hear more on Okta’s vision and strategy, and you’ll have opportunities to ask questions.

With that, Todd, Frederic and I will take your questions now. Operator?
Walter H Pritchard
Citigroup Inc, Research Division - MD and U.S. Software Analyst

Got it. And then just another -- just a product question. So on the Access Gateway and just generally the maturity of some of these products that go after the pools of money that had previously been available mostly to on-prem-type products, with another quarter of maturity of the products and out in the field selling, what can you tell us about how you're thinking about that opportunity and when we may see more of an inflection with attach of those products?

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

Yes. You mentioned a couple of products. We had a really strong year last year in terms of introducing innovation, with everything from DynamicScale to the couple you mentioned like Access Gateway or Advanced Server Access. And all the products are doing really well. I would say, specifically, Advanced Server Access is -- it's an interesting product for us because it's really an entirely new use case for Okta. It's Okta for admins and developers logging into servers.

And as you know, that every organization is building more apps, websites, mobile apps, and that means they have developers. In a lot of cases, those environments aren't -- they represent a big security risk. And we can help them at that. So that product is doing really well. And it's a whole new flank for us, which is very exciting.

Access Gateway is a little different. It's really -- you think of it as extending Okta into the on-premise world in a more simple-to-use and comprehensive way. And that helps every customer, but it helps particularly in a large enterprise, where they all know they want to do cloud but they also have more legacy than other segments. And the Access Gateway is really doing a good job unlocking a lot of opportunities there. So we're very excited about all the product additions, particularly the Advanced Server Access and the Access Gateway.

Operator

And we'll take our next question from Melissa Franchi with Morgan Stanley.

Melissa A. Franchi
Morgan Stanley, Research Division - VP and Research Analyst

I wanted to just put a finer point on the commentary, Bill, that you said on the macro environment. It's helpful to hear that you're not seeing any impact in customer buying behavior. But as we're thinking about your guidance for this year, are you just anticipating it's going to be a relatively stable spending environment, similar to what you saw in '19? Or are you embedding any additional conservatism?

William E. Losch
Okta, Inc. - CFO

Yes, Melissa. So as we said -- as I said, we're -- right now, we're not seeing any impact in our product demand from what's happening with, frankly, the tragedy that is the coronavirus. And that's really what we've now reflected in our guidance. We're obviously going to monitor that very closely.

We've been very pleased with the product demand. We've been really pleased with the momentum of the business, which is why we raised the guidance for the full year by $20 million at the high end, 3% growth. And I think that's how we're looking at it right now. Obviously, we're going to, as I said, continue to monitor it very closely. But right now, we're seeing very, very strong demand for our products.

Melissa A. Franchi
Morgan Stanley, Research Division - VP and Research Analyst

Okay. That's helpful. And I have one follow-up question, product-related question for Todd. Todd, you mentioned DynamicScale. And I think there was a number of deals that you referenced in the prepared remarks that were -- had DynamicScale involved. So can you just talk about what you're seeing in terms of the early customer interest and then how it expands your relationship with customers and the external customer opportunity?

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

Yes. We're excited about DynamicScale and the customer identity business. So -- and they're both -- they go kind of hand in glove because customer identity is about reaching lots of concurrent customers using the service and many, many customers over the lifetime of the service. And DynamicScale is perfect for that because if you think about companies that are doing customer identity projects, they
want -- it's usually like an online version of their existing products or it's a new product.

And there's a lot of time-to-market pressures for them. And there's also a lot of, frankly, it's difficult to forecast the usage for them. And it's difficult for them to deal with regulatory issues in terms of is the environment certified for regulation.

So by using something like Okta, the identity layer in those customer-facing initiatives, it really removes those burdens from companies, whether it's the regulatory or it's the time-to-market, lets them get out there faster. And then sometimes the unpredictability of the demand, something like DynamicScale takes it off the table. So they can buy the DynamicScale product and be -- and rest assured that up to 500,000 log-ins a minute, it's going to work.

And it's something that customers are very, very excited about. And I mentioned the Autodesk in the prepared remarks. Another example is athenahealth. These are companies that are remaking their businesses as online services and having a partner like Okta and a capability like our customer identity solutions and DynamicScale is really helping them.

**Operator**

And we'll take our next question from Heather Bellini with Goldman Sachs.

**Heather Anne Bellini | Goldman Sachs Group Inc., Research Division - MD & Analyst**

I had a question for Bill and then a question for Todd. Todd, I wanted to ask, we've -- people have been talking to Microsoft lately. They've been trying to talk about how Azure Active Directory has been increasing its number of API connections and that the product is getting more competitive. And then Ping was talking about the competitive landscape last night on the call -- on their call. I was just wondering if you could share with us anything you're seeing that might be different and I guess specifically also related to Microsoft there given some of the comments they've made recently.

And then the question for Bill would be, Bill, we continue to see, obviously, really strong and accelerating current RPO growth, which obviously is a good deal, higher than billings growth. And I know those metrics bounce around from time to time. There have been periods where that's been reversed. But is that what you would expect to see, like kind of that type of delta that we're seeing right now to continue between those 2? If there's any comments you could share with us to help us on that, that would be great.

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

Yes. It's interesting. So we -- as we've said a couple of times, the demand environment and the market environment for our products is very, very robust. There's more deals. There's bigger deals. There's -- our product seems to be really well positioned in the right place at right time.

And we haven't seen the competitive environment change. It's really been consistent over the last several years. I would say the last change was -- and it was more of a -- maybe a perceived change than an actual change, was 5 or 6 years ago when Microsoft first released their product. That was like -- it actually accelerated things. It was really put a fine point on the importance of identity. And over the intervening years, they've -- I think that they've talked about it a lot, but we haven't seen it in the market. We haven't seen traction in the market.

I haven't followed their numbers, so I can't comment specifically about what they're seeing. And what we've seen is that companies have a really, really complex and heterogeneous environment. And where we really, really excel is connecting customers to everything in their stack. I was talking to a customer this week, and they're moving 8,000 applications on to Okta. And a lot of these are internally developed. It's every kind of functional footprint. It's every vendor under the sun. This is a big company.

And it's that kind of complexity that you have to have a focus on doing that for a decade plus like we have to build the platform and the capabilities to do that. And you have to start it in the cloud because you have to be able to have a centrally managed and maintained identity -- or sorry, integration network like we do. You have to be really committed to multiple clouds, multiple apps, multiple devices. And you have to kind of -- you can't be bound to a certain vendor or a certain stack and do that. And I think that that's really proving out in the marketplace.
Jacques Frederic Kerrest, Okta, Inc. - Co-Founder, Executive Vice Chairperson & COO

Heather, this is Frederic. I would just add that the world from our perspective is really separated now into legacy and cloud. And we've always felt that the cloud is the future. So many of our competitors like Ping fall into that legacy bucket.

And then I think when it comes to Microsoft, look, our win rates remain very, very strong. You see that demonstrated the numbers, dollar-based net retention, new customer counts. But also the independence and neutrality that Todd mentioned is a big factor, first of all. Folks do not want to be locked into any specific vendor.

And you see that in our Businesses @ Work data that we published in January. If you look at the best of breed, I mean, of our customers -- and we have many, many large deployments of Office 365, right, organizations like Hitachi that roll out hundreds of thousands of employees of Office 365 in 3 months using Okta. But over 75% of our Office 365 customers are using another collaboration, best-of-breed application. So Zoom or Slack or something like that.

And what that really means is that the future is this hybrid, multicloud, lots of applications, heterogeneous environment. And you need to have the ability to connect deeply and broadly into all the technologies that people use and not be wedded to one specific application or one stack.

Finally, I would say that back to the question around Okta Access Gateway we received earlier, Okta Access Gateway is doing very, very well. And I think having that as an embedded part of the Okta cloud identity suite, having that be the pre-integrated solution that we provide to allow our legacy -- large enterprise customers who have legacy infrastructure to connect that in a modern way to the cloud is very differentiated. And if you look at other organizations, Microsoft is an example, they have to do that in partnership. And customers are really looking for an end-to-end solution for these critical workforce and customer identity initiative, and we think that we're very well positioned to do that now and going forward.

William E. Losch, Okta, Inc. - CFO

And Heather, to address your question about the correlation between billings and RPO, I think that the reason we introduced or started to really focus on current RPO last year is really because of the fact that, that correlation is difficult from the standpoint that current RPO really does smooth out what you can have as fairly significant variability in billings, which is really driven by invoice timing and invoice duration.

And especially when you're doing business with larger and larger enterprise customers, which we are, that variability on billings on a quarter-to-quarter basis could be even more. So that's why we thought current RPO was actually a very good additional metric to take a look at. So it's hard to say that correlation -- what that correlation will be over time because of the variability on the billings.

Operator

And we'll take our next question from Sterling Auty with JPMorgan.

Matthew Melotto Parron, JP Morgan Chase & Co, Research Division - Analyst

This is Matt on for Sterling. On the geographic split, international -- the international portion had a nice reacceleration this quarter. Just was wondering, were there any specific regions that you guys saw increased demand? And then going forward, where are you guys focused in terms of what's next?

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

Thanks, Matt, for the question. The growth that you're talking about, we're very excited about the growth in the overall business as well and then obviously internationally because that's a tough compare with North America. So that growth was driven by strength across all the regions. It's still early, but we're starting to see really good traction with notable international customers. I refer to the Global 2000 power management company and European film and television studios that Todd talked about in his prepared remarks.

I mean if you look at the last 2 years, we've opened and expanded 5 international offices now: Stockholm, Munich, Amsterdam, Paris, Toronto. And we're going to continue to expand that footprint. We think there is a very large opportunity internationally. It's something
we're focused on, both directly and indirectly with our partner channel. We're very excited about that, and I think you're going to continue to see that growth in the months and the quarters and the years ahead.

Operator

We'll take our next question from Rob Owens with Piper Sandler.

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

A couple of things. Number one, on the net retention rate. And while I know Bill said it's going to bounce around a little bit, it did reaccelerate in the fourth quarter where actually your customer acquisition was really strong, too. So was this just kind of a function of a Q4 where you saw flush? Or was there more focus on both existing customers and saw some strong momentum on the customer acquisition side? Because I believe that reaccelerated after a couple of quarters of being somewhat flattish year-over-year.

William E. Losch Okta, Inc. - CFO

Yes. Rob, what really is driving that is, you're right, we are now seeing both the dynamics of acquiring more customers, more of those large enterprise customers, which do have larger initial deal sizes. But what we also saw in Q4 -- resulting in Q4 is that expansion within those customers is also strong. So what's exciting for us about that is not only do we think as we move more and more into the large enterprise, we have the opportunity for large initial deal sizes, but we also have a lot more opportunity for expansion into those customers over time. And that's really what drove the increase in the net retention rate over the quarter.

Operator

We'll take our next question from Andrew Nowinski with D.A. Davidson.

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

Congrats on a great quarter again. Maybe just one question for Todd and then one for Bill. So customers that spent more than $100,000 this quarter, again, increased 41%, which is tremendous. And I think you said half were new. Are those new customers starting with more of your products on the initial deployment? Are you just getting into larger enterprises with more employees?

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

It's both. Yes, we have more -- with the new products and the innovation, we have more ways for customers to get started with us, whether it's customer identity, workforce identity or it was Advanced Server Access. And I think also, as you mentioned, the bigger companies have bigger employee bases. And even a single product buy can be bigger like-for-like with a smaller company. So I think you see both dynamics driving there.

Like really what's -- I think another thing that's really important to us throughout the whole company is we're really, really focused on making them successful. So it's one thing to get a company, but even companies that have fairly large initial deals with us, our product portfolio is getting to a point where they can substantially expand. So that's why our long-term orientation around really be obsessive about making the customer successful and turning them into fans is starting to pay off. And we've been doing that for -- since we started. And I think you're starting to see that really help us, whether it's net retention, whether it's the number of the deals over $100,000. It's -- things are really rolling.

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

And I would just add to that, Andy, that if you look, we put out actually a press release when we do earnings also around successful deployments because, as Todd said, it's one thing to acquire new customers, but it's much more important when you get them live and successful. And today, we put one out around Zurich North America. Obviously, a very large insurance company, one of the biggest in the world.

They standardized on Okta across 9,000 employees. But they also migrated the authentication for 40 -- over 45 customer and partner apps from on-premise solutions like CA SiteMinder to the Okta Identity Cloud in less than 2 months. And the fact that you can get these
very large organizations with very complex environments up and running and successful in short time, they see the success in these projects, and that also obviously drives opportunities for both cross-sell and upsell down the road as we build significant partnerships with these large organizations.

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

That's great. And then just a clarification, maybe for Bill. It looks like your revenue guidance for Q1 is almost 2 points higher than normal seasonality. I think normally, it's right around 22% of the total for the year. Is there anything changing in the buying patterns? Or is that just a reflection of perhaps some conservatism in your annual outlook for Q3 and Q4?

William E. Losch Okta, Inc. - CFO

No, I think what you're seeing, Andy, is a couple of things. One is, obviously, we had a lot of momentum coming out of Q4, which we talked about as far as the significant increase in our current RPO that accelerated from 52% in Q3 to 54%, the fact that we had an acceleration in billings. So you're seeing a lot of that come as revenue, obviously, in Q1. I think the other thing, which is more of a modeling point, but it's valid, is the fact that now that we're in a leap year, we actually get 1 more day of revenue recognition in Q1. So that also has an impact.

Operator

We'll take our next question from Gregg Moskowitz with Mizuho.

Gregg Steven Moskowitz Mizuho Securities USA LLC, Research Division - MD of Americas Research

Congrats on a really nice quarter, guys. Just one question for Bill. So Bill, you accelerated your rate of hiring this year as you had intended. But how are you thinking about fiscal ’21 headcount at this time just vis-à-vis or current expectations to grow revenue low 30s this year?

William E. Losch Okta, Inc. - CFO

Yes. So like you said, we had an acceleration of headcount as we went into the second half of the year, 44% in the second half of the year growth compared to 40% in the first year -- or first half of the year. So very strong headcount growth, which is really, I think, a very phenomenal testament to the success we've had, both attracting and retaining talent. We're going to continue to focus on hiring.

Our expectation is to hire more in fiscal year ’21 this year than we did last year. The rate of growth will come down a bit because the base is higher. But we're still focused on hiring and growing that headcount because that is the key part of our investing in specifically go-to-market, also innovation to capitalize on this huge market opportunity we see in front of us.

Operator

We'll take our next question from Jonathan Ho with William Blair.

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

Let me echo my congratulations as well. Todd, I just wanted to start out with just one question. You talked about Okta customers now making the company their identity standard, and you've referenced this in some of your other calls as well. What does that mean to you? And in terms of maybe the multiproduct adoption as well as the use of Okta for their own suppliers, I just want to get a sense for how you think about Okta as an identity standard.

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

Really, it means -- so what's really different in this generation of technology is that we've moved from a world where every platform had identity in it, whether it was Oracle Labs or Microsoft Network or IBM, they all had identity in there. And we moved the world now because of the complexity, because of the heterogeneous environments, because of the best of breed, the pressure to do more, the pressure to have security, where identity is its own platform.

And so when I say the company has moved to Okta as a standard, it's really they've adopted that mindset that they need a single identity platform that they have to have everything connected to that. It's the only way that they're going to scale and transition things from on-prem into the cloud. It's the only way they're going to build customer and website to mobile apps quickly. It's the only way they're
going to really be able to keep it secure in a world where people want to work for more places, they want more flexibility, but at the same time, they want it to be easy. That's what I mean by it.

It also has -- what you start to see happening as more companies standardize on us, it has very positive follow-on effects like what you're talking about, where the fact that a company uses us, the partners logging in, they connect together to various people in their ecosystem. There's an advantage of having Okta. It helps us work with the industry to standardize the way some of these integrations work and have been built on our platform in a way that's really beneficial to all of our customers. So yes, it's important. I think it's an important part of us executing on our long-term strategy, and we're excited about the progress.

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

And I would just add, Jonathan, to that, that what you see in that is there's a lot of things. First of all, the dollar-based net retention numbers clearly point to customers becoming successful in adopting more and more. It's also why we're so focused on getting customers up and running and successful quickly, because that allows them to show internally this is a new way, this is very important, this is something that we can standardize our company on.

You end up seeing organizations like ENGIE, the giant energy company, that ends up using us now. We started with one specific division in one specific country. Now we are the global identity standard at ENGIE across both their workforce and their customer and identity access management properties, which becomes a huge opportunity, obviously, for us but also for them, because it's one company, one platform, one set of products they become comfortable with and allows us to build very powerful partnerships for the years ahead.

Operator

We'll take our next question from Richard Davis with Canaccord.

Richard Hugh Davis
Canaccord Genuity Corp., Research Division - MD & Analyst

Just a quick question. Last summer, I think you guys announced it was HR provisioning, and as I recall, your first partnership was with Workday. How has that gone? And have you added additional HR firms to your roster for this product?

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

Thanks, Richard. Obviously, the opportunity to use a lot of these modern HR systems to start driving deep end-to-end advanced workflows for our customers is something that's a huge opportunity for us. And it's very early days, as you said. Certainly, it's gone very well with Workday as it has with the other providers out there, Ultimate Software and the others. And you see very good examples of exactly how this plays out with our customers.

You heard in the prepared remarks today that Todd made around NTT DATA and how they were a workforce customer that kind of upsold themselves this quarter. Well, that was exactly what they did. They started with single sign-on and authentication and authorization became very successful. This quarter, they added Universal Directory, Lifecycle Management and Workflows to solve that HR end-to-end joiner/mover/leaver problem, where companies have to manage the onboarding, the transitioning of employees and then ultimately when they leave.

This is something you're going to see more and more of. We talked in past quarters, large Fortune 500 or Fortune 100 organizations like WarnerMedia did the exact same thing, started with single sign-on, multifactor authentication and then decided to implement HRIS-based provisioning using Okta and getting to that joiner/mover/leaver problem.

I think you're going to see more and more of this, especially as companies realize that they can move to a lot of these modern cloud applications, use these heterogeneous environments and take advantage of all the advanced workflows we already have in the system and we keep releasing to help these customers be successful with these new opportunities ahead.

Operator

We'll take our next question from Taz Koujalgi with Guggenheim Partners.
Imtiaz Ahmed Koujalgi Guggenheim Securities, LLC, Research Division - Director of Technology, Media & Telecom and Analyst

Two questions. One is if you look at the new customer revenues this year, it looks like you had a big uptick in new customer deal sizes adopted because you were landing bigger customers initially. But the new customer growth was a bit lighter than last year. So as we look forward to next fiscal year, how do you expect those 2 growth drivers support you? Do you think the initial customer deal sizes keep going up? Or does that flat line and then we’ll see a bigger uptick of customer adds?

William E. Losch Okta, Inc. - CFO

Yes. So the way we look at it is that the trends that you saw this year, which is that we were still doing significant customer adds. We set a record this year -- or this quarter, of customer adds and -- of 550 total customers and then also 142 customers paying us more than $100,000. So still very healthy adds. But what we're also seeing more than that is bigger and bigger initial deal sizes, which is reflected in the RPO.

And I think what you're going to see is that continue as we move -- continue to move to our -- what we've been doing successfully, which is landing larger and larger enterprise customers with larger initial deal sizes. And as we said this quarter, as I said to Rob's question earlier, this quarter, we saw not only that but that we had really big expansion into those large customers. And that's really what our focus is going to be going forward.

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

And then second, Bill, your margin guide for fiscal ’21 implies basically flat operating margins, I think, negative 8%, which is same as what you had this year. And then you have a long-term fiscal ’24 margin guide of 16% to 18%, which looks even steeper now given your guide for fiscal ’21. Any commentary or color on if you're still on track to meet those fiscal ’24 margin targets?

William E. Losch Okta, Inc. - CFO

Yes. When we set the longer-term model back in October of 2018, the model always assumed that our move to profitability would be more back-end loaded. And the reason for that is we do focus on growth and profitability but we're optimizing for growth. And we've seen huge opportunity for us both because these secular tailwinds that we talk about of companies moving to the cloud, moving to digitally transform themselves, wanting to be secure and do it in a scalable way are really continuing to push us forward and give us a lot of momentum. And identity, as Todd has talked about, is becoming more and more of the standard for that, and that's why we're more foundational.

So we're focused on that. I think when we look at the business, we really focus on striking that right balance between optimizing revenue growth and expanding our free cash flow margin, which is -- as we said, we have consistently, over the last couple of years, exceeded that Rule of 40 target. And that's a big focus for us.

So we're going to continue to make decisions based on assessing that, making investment decisions that really will, we believe, ramp our go-to-market and innovation because we see those big opportunities. But we're always disciplined about those investments and making sure we have a meaningful return on those. And that's the way we're going to continue to operate.

Operator

And we'll take our next question from Shaul Eyal with Oppenheimer.

Shaul Eyal Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst

Congrats on the quarter and the outlook. I had one question. So clearly, a very nice traction with respect to the journey into the enterprise. Can you talk to us, maybe do a compare, contrast as we think about a typical sales cycle into the enterprise versus, let's say, the SMB, so to speak?

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

I want to make sure I understood your question. You said sales cycle, right?
Yes, that is correct. As it relates to new customers.

Yes, absolutely happy to talk about that. One thing that I think we really benefit from is with these large organizations, we don't go in there with a forklift upgrade approach. So when we go in there, we help customers, large organizations, small organizations understand very quickly what their opportunities are and help them find specific ways in which they can get up and running and successful in a short order on the Okta Identity Cloud and with our products. It gives them an opportunity to get to know us as a company, our products, our platform. And then they start digging in.

You see it in the numbers, obviously, the dollar-based net retention. But it's also very -- it's a much better message to deliver when we go meet with a Fortune 500 CIO, Chief Security Officer, CTO. And we say, "Look, we understand this is new for you. We're going to help you solve one specific problem that you have. We're going to show you value and come back in 90 or 180 days and talk to you about the other opportunities." It allows them to engage with us and the company very quickly, easily and on high-profile projects. And when they get that early success, they always come back and say, "That was a great experience. What else can I do? Tell me all about your product, your platform, your road map." And so we don't go in and say, "Hey, we're going to forklift upgrade your legacy Oracle or SiteMinder or Ping installation, and we're going to show you value in '18 months." We say, "Hey, we're going to help you with specific problems you have right now, and then over time, we'll show you the road map to retire those legacy products."

So from that perspective, certainly, it's a little bit longer of a sales cycle for a Fortune 500, just in terms of their process and procurement, financial, legal. But in terms of the actual sales cycle itself on the front end, it's pretty similar, whether you're a small organization or a large organization looking to start with a smaller deployment. Big opportunities for us, easy ways to show customer success and then obviously, build those partnerships and strong customer relationships over time.

We'll hear next from Keith Bachman with Bank of Montreal.

I wanted to dig in a little bit more on the customer side of the business, and a few questions underneath that. Any metrics you can give us, including growth rates? That's number one.

And as we think about the growth opportunities, one of the things is penetration rates. And for instance, can you at least comment on what percent of your core business, which is the employee base, have you penetrated with the customer side of the business? And is that one of the ways that you're keeping and actually growing that net retention rate?

And then the final one is competition. Are you seeing any different dynamics in the competitive landscape associated with the customer side of the business as opposed to the employee side of the business?

Yes. So as far as the penetration on the workforce side, the business, as we've talked about, we have 2 really big markets that we're addressing. It's the workforce and customer identity. The workforce is still the significant majority of the business. The coverage that we have within a customer really can be dependent on the size of the customer, the complexity of the customer. So as far as the number of users we have, in most cases, we have multiple products when we sell into an initial customer and then have those opportunities to sell advanced versions of products or more products to them.

So the workforce, like I said, is still the larger part of the business. Customer identity has been growing and actually growing faster than the overall workforce. So it's become a bigger piece, but workforce is still the significant part of the business.
Jacques Frederic Kerrest Okta, Inc. - Co-Founder, Executive Vice Chairperson & COO

And then, Keith, I would just add. This is Frederic. I would just add on the back of that. There is still a lot of room to run inside these organizations that we currently have as customers with the existing set of products in addition to all the new things that we're releasing. That's the first thing.

Second thing, if you just look at the number of organizations that we could potentially penetrate, I mean, it's hundreds of thousands of them, right? So we're very happy and fortunate with our almost 8,000 enterprise customers, adding 550 a quarter. Those are great results. But we've got a huge opportunity in terms of net new accounts that we can work with and how far we can get penetrated inside those accounts.

Secondly, to your question around competition, it's really different when it comes to customer identity and access management. It's really a build versus buy conversation. Historically, enterprises have set up basic databases, these LDAPs in their networks and reset user names and passwords, and that's pretty straightforward. But what you're starting to see really is, first of all, speed. People need to get up and running quickly and successfully. And setting up all these servers and making sure they all work, it takes a lot of time and it's heavy-duty lifting.

Number two, there's a huge enhancement around security here. One of the things that happened over the quarter is we added a number of large regional financial banks who are both workforce and customer identity and access management wins. And when you dig into that, you realize that it's complicated. And when they want to provide secure, reliable interfaces on the web and on mobile to customers to look at their financial data, you want to make sure you get it right. You want to make sure you have multifactor authentication embedded if you need to. You can make it as seamless or as complex as the customer demands depending on the type of business. And those are things that they have to do because it's in the revenue stream. So you've got to get it out the door or your competitor is going to do it. And that's a huge driver for the business.

That being said, as Bill highlighted, workforce identity management is still the majority of our business. Customer identity management is going very, very fast. So there's a huge opportunity in the times ahead.

Operator

And we'll take our next question from Alex Henderson with Needham.

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

Sneaking in under the wire. I wanted to ask a question about the implication of the cancellation of the live attendance at Oktane, what that might do to your pipeline of leads coming out of Oktane, how you're thinking about the difference between your normal 8,000-plus people showing up and doing it online.

And then second, if you could go into the thoughts around what are you doing relative to potentially grounding salespeople or whether any of your customers are resisting sales visits and how that might impact your business and your thoughts going forward. Obviously, those are top-of-mind issues.

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

Yes, for sure. We talked about -- you mentioned the change in format for Oktane. So it's -- that should make it clear that we're really on top of the unfortunate coronavirus situation. And we're really making sure that we're doing everything we need to do to ensure the safety and health of customers, employees. And it's a dynamic situation. So we'll stay vigilant in making sure we keep watching it and make the right decisions.

I think we're fortunate in that we had Oktane scheduled at a time where we have several weeks to switch it to an online format. And we were -- it is something we've done for several years in person. And so we thought about what potential impact could we have from switching it. But it was a pretty easy decision given the decreased risk of health and safety by doing that.
But now that we're ramping up on the online version of it, we're really excited about it. We think that the breakout sessions are going to be amazing. The keynotes are going to be great. And we're actually seeing tons of additional registrations for the online experience. So it's going to be amazing. We're going to get the message out there, and we've got tons of exciting stuff to announce, and it's going to be great.

On the overall other things we're doing, we haven't seen any effects. And the robust -- we have -- the demand for our products is robust. And other than that, it's -- in terms of like what -- visits and customer meetings, those are going on as normal. So that's the answer to that question. But overall, we're going to optimize the health and safety of -- and take prudent steps where it makes sense and keep an eye on things and keep leaning into this big, long-term opportunity.

Alexander Henderson Needham & Company, LLC, Research Division - Senior Analyst
And how much of the -- I think you've talked about as much as $6 million of expenditures that normally go out in the -- for Oktane in the marketing side of it. How much of that can you recoup? How do we think about the impact of not doing it on the cost side of the equation, please?

Todd McKinnon Okta, Inc. - Co-Founder, Chairman & CEO
It's going to be a really high-definition stream.

William E. Losch Okta, Inc. - CFO
Yes. The -- we've taken a look at that, obviously, and there are kind of puts and takes as far as what the costs are. And we have baked that into the guidance that we gave you for Q1. So that is in those numbers.

Todd McKinnon Okta, Inc. - Co-Founder, Chairman & CEO
I would just say we -- again, we benefited from the 5 weeks we had to make changes. So I think, yes, as Bill mentioned, it's on the puts and takes, but it's good that we had 5 weeks to adjust.

Operator
And we'll take our last question from Pat Walravens with JMP Securities.

Patrick D. Walravens JMP Securities LLC, Research Division - MD, Director of Technology Research and Senior Research Analyst
By the way, I applaud the decision to put your -- the health and safety of your community first. Thank you for that. But totally switching gears...

Todd McKinnon Okta, Inc. - Co-Founder, Chairman & CEO
That includes you as well.

Patrick D. Walravens JMP Securities LLC, Research Division - MD, Director of Technology Research and Senior Research Analyst
How do you guys think about Oktane Ventures and what it's supposed to achieve? And are you modeling it on something? Like Salesforce Ventures is a good example of a model that you might have used.

Jacques Frederic Kerrest Okta, Inc. - Co-Founder, Executive Vice Chairperson & COO
Yes. Thanks, Pat. So around Okta Ventures -- I mean Salesforce Ventures is obviously a little bit more mature at this point. What we're thinking really about is how we can keep a good eye on the upcoming technologies that are focused around identity, security, privacy. Obviously, we're doing a lot of things internally. We have an excellent organic product and engineering organization, and they're doing a lot of things.

But we are looking at other companies that are out there who might be doing interesting things around identity, artificial intelligence, machine learning, blockchain. And it is an emphasis on early-stage investment. We've made 4, 5 investments to date. You've seen it, Trusted Key, a blockchain-based digital identity company, an IoT identity company called Ockam and a number of others. And it allows...
Patrick D. Walravens  JMP Securities LLC, Research Division - MD, Director of Technology Research and Senior Research Analyst

Awesome. And then, Frederic, when you're talking about all the customers that you're getting up and running, it just occurred to me, when it takes longer than you would have thought to get a new customer up and running, what's usually the hang up? What's the biggest issue that you deal with?

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

It never happens, Pat. I'm just kidding. From time to time, we will -- it will take a little bit longer to get a customer up and running. It will be in large enterprise. And what will happen is you'll have a change agent who's brought in. I can think of a number of these cases in the second half or even in Q4. Change agent comes in and says, "Hey, we really need to accelerate our move to the cloud." But they have legacy infrastructure. They need to figure out exactly how they're going to -- enterprise IT doesn't throw anything away. What they do is they buy new things and they bloom on the front. So they can use Okta to do a lot of that. But just figuring out kind of how that's all laid out internally is one piece of it.

And then secondly, there's some change management that goes along with it. If you're a large company that has 100,000 employees and folks are used to doing things a certain way -- we've talked on this phone call about Office 365, so e-mail or HR collaboration. And all of a sudden, you're going to shift it to a cloud-based enterprise service. That's going to take a little bit of change in the workforce. So you see that happen from time to time.

And then finally, on the customer identity and access management side, they want to make sure they get it right. So we tend to do a lot of testing with them and just ensuring that it's all perfect before it goes up in front of their customers. And a lot of times, we're just working very closely with those customers to make them comfortable with what they're about to do. And then ultimately, they can make Okta identity standard for the enterprise, as Todd highlighted.

So yes, we're very excited about it. It is a very good experience. We do have a lot of repeat enterprise customers. They go from enterprise to enterprise, and they call us right away and say there's a lot of opportunity. So it's something that is working well in the business.

Operator

And this concludes today's question-and-answer session. I'd like to turn the call back over to Mr. Gennarelli for any additional or closing remarks.

Dave Gennarelli  Okta, Inc. - IR Executive

Thanks, operator. As we mentioned, we're hosting our Investor Day on April 1, and I'll be sending out more details with more specifics in the coming days. Thanks again for your time this afternoon.

Operator

Once again, that does conclude today's conference. Thank you for your participation. You may now disconnect your phone lines.