



okta

Q1 FY18 Supplemental Slides

June 2017

Statement Regarding Use of Non-GAAP Financial Measures

Our Q1 FY18 Earnings Press Release and Earnings Conference Call contain certain non-GAAP metrics and other non-GAAP financial measures. This presentation contains our reconciliation of those non-GAAP metrics and other financial measures.

We report non-GAAP financial measures in addition to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP.

We present calculated billings, as revenue plus the change in deferred revenue, which investors believe is a useful leading indicator regarding the performance of our business.

Our non-GAAP presentation of gross profit, income from operations and net income measures exclude stock-based compensation expense and amortization of acquired intangibles. We believe the presentation of operating results that exclude these non-cash or non-recurring items provides useful supplemental information to investors and facilitates the analysis of our operating results and comparison of operating results across reporting periods.

Free cash flow, which is a non-GAAP financial measure, is calculated as net cash provided by operating activities, reduced by purchases of property and equipment. Free cash flow margin is calculated as free cash flow as a percentage of total revenues. We believe information regarding free cash flow and free cash flow margin provides useful information to investors because it is an indicator of the strength and performance of our business operations.

The non-GAAP financial measures included in the accompanying tables are not meant to be considered in isolation or as a substitute for comparable GAAP measures; should be read in conjunction with the company's financial statements prepared in accordance with GAAP; have no standardized meaning prescribed by GAAP; and are not prepared under any comprehensive set of accounting rules or principles. In addition, from time to time in the future there may be other items that the company may exclude for purposes of its non-GAAP financial measures. Because of the non-standardized definitions of non-GAAP financial measures, the non-GAAP financial measures as used by the company in the accompanying tables have limits in their usefulness to investors and may be calculated differently from, and therefore may not be directly comparable to, similarly titled measures used by other companies.

The company encourages investors to carefully consider its results under GAAP, as well as its supplemental non-GAAP information and the reconciliation between these presentations, to more fully understand its business. Please see the tables included in this presentation for the reconciliation of GAAP and non-GAAP results.



GAAP to Non-GAAP Reconciliation

Calculated Billings

(In thousands) – (unaudited)

	Q2 FY16	Q3 FY16	Q4 FY16	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	Q1 FY18
Total revenue	\$19,638	\$23,471	\$27,138	\$31,787	\$37,436	\$42,283	\$48,820	\$53,007
Add:								
Deferred revenue (end of period)	62,506	69,559	79,525	81,962	90,981	99,818	113,723	120,644
Less:								
Deferred revenue (beginning of period)	(53,994)	(62,506)	(69,559)	(79,525)	(81,962)	(90,981)	(99,818)	(113,723)
Calculated Billings	\$28,150	\$30,524	\$37,104	\$34,224	\$46,455	\$51,120	\$62,725	\$59,928

Note: Fiscal year end is January 31st.

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GAAP to Non-GAAP Reconciliation

Free Cash Flow

(In thousands) – (unaudited)

	Q2 FY16	Q3 FY16	Q4 FY16	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	Q1 FY18
Net cash used in operating activities	(\$9,431)	(\$13,020)	(\$8,961)	(\$15,035)	(\$11,838)	(\$8,526)	(\$6,702)	(\$9,686)
Less:								
Purchases of property and equipment	(357)	(1,636)	(1,685)	(927)	(2,102)	(1,618)	(1,606)	(2,448)
Capitalized internal-use software costs	(615)	(1,033)	(623)	(1,232)	(1,093)	(1,667)	(1,497)	(1,208)
Free Cash Flow	(\$10,403)	(\$15,689)	(\$11,269)	(\$17,194)	(\$15,033)	(\$11,811)	(\$9,805)	(\$13,342)

Note: Fiscal year end is January 31st.

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GAAP to Non-GAAP Reconciliation

Three Months Ended April 30, 2016

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

	GAAP	Stock-based compensation	Amortization of acquired intangibles	Non-GAAP
Costs and expenses:				
Costs of subscription services	7,460	(393)	(47)	7,020
Costs of professional services	4,919	(273)	-	4,646
Gross profit	19,408	666	47	20,121
Gross margin	61 %	2 %	-	63 %
Research and development	8,766	(618)	-	8,148
Sales and marketing	26,401	(1,354)	-	25,047
General and administrative	6,945	(731)	-	6,214
Operating loss	(22,704)	3,369	47	(19,288)
Operating margin	(71)%	10 %	-	(61)%
Net loss	(22,753)	3,369	47	(19,337)
Net loss per share ⁽¹⁾	(\$1.22)	\$0.18	\$0.00	(\$1.04)

⁽¹⁾ GAAP and Non-GAAP net loss per common share calculated based upon 18,574 basic and diluted weighted average shares of common stock.

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GAAP to Non-GAAP Reconciliation

Three Months Ended April 30, 2017

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

	GAAP	Stock-based compensation	Amortization of acquired intangibles	Non-GAAP
Costs and expenses:				
Costs of subscription services	11,157	(686)	(4)	10,467
Costs of professional services	6,306	(469)	-	5,837
Gross profit	35,544	1,155	4	36,703
Gross margin	67 %	2 %	-	69 %
Research and development	15,359	(3,301)	-	12,058
Sales and marketing	37,180	(2,375)	-	34,805
General and administrative	11,639	(2,075)	-	9,564
Operating loss	(28,634)	8,906	4	(19,724)
Operating margin	(54)%	17 %	-	(37)%
Net loss	(28,901)	8,906	4	(19,991)
Net loss per share ⁽¹⁾	(\$0.73)	\$0.22	\$0.01	(\$0.50)

⁽¹⁾ GAAP and Non-GAAP net loss per common share calculated based upon 39,783 basic and diluted weighted average shares of common stock.

Note: Fiscal year end is January 31st.

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GAAP to Non-GAAP Reconciliation

Gross Profit Margin

(In thousands) – (unaudited)

	FY15	FY16	FY17
Gross profit	\$22,280	\$49,883	\$104,377
Add:			
Share-based compensation expense included in cost of revenue	596	1,462	3,262
Amortization of acquired intangibles	186	190	190
Non-GAAP gross profit	\$23,062	\$51,535	\$107,829
Non-GAAP gross profit margin	56%	60%	67%

Note: Fiscal year end is January 31st.

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GAAP to Non-GAAP Reconciliation

Subscription Gross Profit Margin

(In thousands) – (unaudited)

	FY15	FY16	FY17
Subscription gross profit	\$28,320	\$55,759	\$108,925
Add:			
Share-based compensation expense included in cost of subscription revenue	323	909	1,979
Amortization of acquired intangibles	186	190	190
Non-GAAP subscription gross profit	\$28,829	\$56,858	\$111,094
Non-GAAP subscription gross profit margin	76%	74%	78%

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GAAP to Non-GAAP Reconciliation

Sales and Marketing Expense as a Percent of Revenue

(In thousands) – (unaudited)

	FY15	FY16	FY17
Sales and marketing expense	\$49,096	\$77,915	\$118,742
Less:			
Share-based compensation expense	(1,236)	(2,853)	(6,029)
Non-GAAP sales and marketing expense	\$47,860	\$75,062	\$112,713
Non-GAAP sales and marketing expense as a percent of revenue	117%	87%	70%

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GAAP to Non-GAAP Reconciliation

Research and Development Expense as a Percent of Revenue

(In thousands) – (unaudited)

	FY15	FY16	FY17
Research and development expense	\$18,370	\$28,761	\$38,659
Less:			
Share-based compensation expense	(912)	(1,748)	(2,992)
Acquisition related compensation expense	(769)	(31)	0
Non-GAAP research and development expense	\$16,689	\$26,982	\$35,667
Non-GAAP research and development expense as a percent of revenue	40%	32%	22%

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GAAP to Non-GAAP Reconciliation

General and Administrative Expense as a Percent of Revenue

(In thousands) – (unaudited)

	FY15	FY16	FY17
General and administrative expense	\$13,596	\$19,195	\$30,099
Less:			
Share-based compensation expense	(3,836)	(3,769)	(4,844)
Non-GAAP general and administrative expense	\$9,760	\$15,426	\$25,255
Non-GAAP general and administrative expense as a percent of revenue	24%	18%	16%

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GAAP to Non-GAAP Reconciliation

Operating Margin

(In thousands) – (unaudited)

	FY15	FY16	FY17
Operating loss	(\$58,782)	(\$75,988)	(\$83,123)
Add:			
Share-based compensation expense	6,580	9,832	17,127
Amortization of acquired intangibles	186	190	190
Acquisition related compensation expense	769	31	0
Non-GAAP operating loss	(\$51,247)	(\$65,935)	(\$65,806)
Non-GAAP operating margin	(125%)	(77%)	(41%)

Note: Fiscal year end is January 31st.

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