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PRESENTATION

Operator

Good day, and welcome to the Okta Third Quarter Fiscal 2020 Earnings Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Dave Gennarelli, Head of Investor Relations at Okta. Please go ahead, sir.

Dave Gennarelli  Okta, Inc. - IR Executive

Good afternoon, and thank you for joining us on today's conference call to discuss the financial results of Okta's third quarter of fiscal 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, payments regarding our financial outlook and market positioning. 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 our financial results is included in our filings with the SEC from time to time, including the section titled Risk Factors in our 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. A reconciliation between GAAP and non-GAAP financial measures and discussion of limitations of using non-GAAP measures versus their closest GAAP equivalents is available on 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 third quarter results reflect another strong quarter of execution and financial performance. Total revenue grew 45%. Subscription revenue grew 48%. And remaining performance obligations, or RPO, grew 68% to over $1 billion. We added 400 new customers in the quarter, bringing our total customer count to over 7,400. We also continued to broaden our base of enterprise customers as demonstrated by the addition of 103 customers with annual contract value greater than $100,000. And once again, over half of these additions were from new customers. The total number of $100,000-plus customers is now over 1,300 and increased over 40% year-over-year and over 90% since the beginning of last fiscal year. That’s great progress as we continue to focus on broadening our enterprise business with the investments we’re making in our customer-facing teams and deepening our relationships with global systems integrators.

For a while now, we’ve talked about the 3 massive secular market tailwinds that helped drive our business: first, organizations are moving to the cloud; second, they are going through a digital transformation; and the third market tailwind is that businesses are embracing Zero Trust security environments. We’re still in the very early stages of each of these trends, so they are going to be around for many years to come. Importantly, Okta is in a unique position to capitalize on these trends because of our ability to address the broadest set of use cases across complex IT environments. One of my favorite parts of these earnings calls is being able to share customer stories because they help drive home how our cloud-based solutions for identity and access management are being adopted by some of the biggest and most innovative organizations in the world.

The cloud has forced every company to become a technology company and the security perimeters forever changed as companies build applications and websites to more effectively engage with their customers and partners. First is a new workforce identity win with Berry Global, a Fortune 500 manufacturing and packaging company with tens of thousands of employees. This is a great example of a large traditional company founded over 50 years ago that has turned to Okta as its identity provider. The company needed to protect itself from modern security threats and looked for an identity solution to secure its workforce. Okta will improve the sign-on experience for employees, reduce help desk requests by enabling self-service password resets and enhance security with multifactor authentication.

Next, a Fortune 50 telecommunications company was a new customer identity win. The company needed to improve the experience for its business customers when they securely access key business services. It selected Okta customer identity over Microsoft in order to decrease maintenance and infrastructure costs and provide faster time to value.

Dentsu Group, a Global 2000 advertising and marketing services group headquartered in Japan, was a noteworthy upsell in the quarter. I’m excited about this upsell because it illustrates a pattern we’ve seen many times before, which is how Okta first lands in a portion of a multinational company and eventually gets rolled out on a global basis after demonstrating our value and ROI. After the initial success in an international division of Dentsu, the company decided to broaden its deployment of Okta to its global workforce of over 60,000 employees. Okta will be a critical part of its technology strategy to unify the entire company, increase collaboration and enhance security.

Lastly, a Fortune 500 financial services company originally purchased Okta to help modernize and easily onboard and secure cloud applications. Most recently, they purchased Okta Access Gateway to unify access to both cloud and on-premise applications and enhance security for its over 10,000 employees. This expanded deployment demonstrates how we continue to build customer momentum with Okta Access Gateway.

Those are great wins with very large organizations. Increasing our business with the world’s largest organizations is an important part of our overall growth strategy and helps increase the network effects of the Okta Identity Cloud. These large enterprise customers are turning to Okta because...
of our neutrality, extensive catalog of integrations and breadth of products. This, in turn, generates more and more data insights that can be harnessed to build better products that make our customers more successful. This network effect flywheel is now at scale and positions us for continued market leadership.

Earlier this year, we opened up the platform into customizable blocks that enable unlimited use cases with the Okta Identity Engine and increased functionality and extensibility with Okta Hooks. We are transitioning our offerings from products to a componentized, customizable platform to create the preeminent solution to help customers connect to any technology. We've made further progress on this with the recent announcement of product and feature innovations from our inaugural Okta Showcase event in October, which I'll now spend a few minutes highlighting.

We were happy to announce that Okta Access Gateway became generally available on November 1. Our digital enterprise report shows that 85% of large companies still have at least 1/3 of their applications running on-premise. This presents significant access management challenges as organizations look to modernize their technology stacks. Many organizations rely on a cobbled-together legacy access management solution to provide access to their on-premise apps. This makes it difficult for administrators to manage and for users to access the applications needed to do their jobs. Okta Access Gateway delivers a single point of management for administrators and one place to go for end users to access their applications across both cloud and legacy apps, all without the drawbacks of middleware, databases and servers required by legacy identity management systems.

We're pleased with the initial traction of Okta Access Gateway, which is already opening many more sales opportunities. We also launched Okta SecurityInsights at Showcase. Organizations have employees, contractors and partners accessing information from everywhere. That complexity has historically been a problem. But SecurityInsights gives organizations a chance to leverage their size to create greater security with a family of product innovations that help our customers with personalized security detection and remediation capabilities at the end user, admin and customer network levels. This includes HealthInsight for customized dynamic security best practice recommendations for administrators and UserInsight for suspicous activity reporting for end users, brought together with ThreatInsight which detects and automatically responds to attacks such as brute force and password spraying. Okta customers are now better prepared to combat today's threat landscape.

And finally, we launched Okta DynamicScale at Showcase, a high-capacity customer identity offering that enables transformative scale for the largest businesses and the most highly trafficked apps and sites. DynamicScale can support traffic bursts and extended use of up to 500,000 authentications per minute. This meets virtually any peak or burst authentication need within the entire spectrum of identity use cases, whether it's a new product release, a viral marketing campaign or a major shopping weekend. For example, on Amazon's Prime Day, they sold 175 million items in 36 hours. That's an average of just over 81,000 items per minute. Using DynamicScale, one of our customers could authenticate each and every one of these buyers in only 10 minutes. That is the power of DynamicScale.

And this is already being used in the market. In a separate press release today, we announced that athenahealth will expand its use of Okta's customer identity products to include DynamicScale, which will enable it to rapidly scale to support its tens of millions of users, including patients, caregivers, providers and staff.

Our customers have been very excited about the innovation at Okta. Industry analysts are noticing as well, and we've received tremendous accolades this year for our vision, strategy and ability to execute. On the heels of our incredible leadership position in the Gartner Magic Quadrant, last month, the Forrester Wave for Zero Trust recognized Okta as a leader in the Zero Trust security market. Okta is the only identity company included in the report, which recognized Okta as having the highest possible score across half of the evaluation criteria.

The last thing I'd like to say before I hand it over to Bill is that we'll be releasing our sixth edition of our Businesses@Work report on January 28. Using data from the Okta Integration Network, this report takes an in-depth look into how organizations and people work today, exploring workforces and customers and the applications and services they use to be productive. I know investors and analysts love this report because it's been great at revealing trends and the fastest-growing apps in several industries well before they become more commonplace.

So I'll summarize by saying it was a very strong quarter for us driven by continued execution and market momentum. We are seeing great traction on all fronts and remain focused on capturing the massive opportunity in front of us. Thanks, again, for your time. And now I'd like to turn the call over to Bill to walk through our financial results. Bill?
William E. Losch - Okta, Inc. - CFO

Thanks, Todd, and thanks, again, to everyone for joining us. Before I get started on the results, I want to call out that we developed a new 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 of my commentary this afternoon, leaving more time for Q&A. As Todd mentioned, we maintained the strong momentum we built in the first half of the year and experienced strength across the board, including key metrics such as revenue, RPO, billings and free cash flow. Total revenues increased 45% driven by a 48% increase in subscription revenue. Subscription revenue represents 94% of our total revenue.

Total RPO or backlog, which for us is contracted subscription revenue both billed and unbilled that has not yet been recognized, grew 68% to just over $1 billion. This marks a milestone as total RPO crossed the $1 billion mark for the first time. The exceptional growth in total RPO reflects the success we’ve been experiencing with large enterprise customers, where the contracts tend to be much larger in value and longer in length. As we continue to see success with winning the world’s largest organizations, we expect the average contract size and terminaling 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 52%. As you know, RPO should be viewed as an additional metric to gauge our performance in the quarter. 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 increased 41%. The strength in billings continues to be driven by both new and existing customers across all our markets.

Turning to retention. Our dollar-based net retention rate for the trailing 12-month period was 117%, a 1 point decrease from Q2. The slight decrease is, as expected, driven by the larger initial deal sizes we’re achieving with large enterprise customers. As we mentioned, the net retention rate may fluctuate a bit from quarter-to-quarter. We expect it to remain very healthy as we continue to experience growth in initial deal sizes and as we grow our business with the world’s largest organizations.

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 for Q3 grew 47%. Consistent with prior quarters, the increase was primarily driven by sales and marketing investments as we look to capture more of our large addressable market. Our strategic investment priorities continue to be driving business with the world’s largest organizations, strengthening the network effects of our platform, expanding our presence with customer identity, investing in security and expanding geographically. As usual, the biggest component to the spend increase is related to scaling headcount to support these strategic initiatives. We’ve been successful in attracting and retaining great talent, and total headcount grew 44%, an acceleration over the first half of the year, led by growth in our sales, marketing and customer success teams. We continue to invest in our business as we scale for durable growth. Our better-than-expected top line growth contributed to better-than-expected operating loss, operating margin, loss per share and cash flow.

We ended the third quarter with $1.37 billion in cash, cash equivalents and short-term investments, a net increase of $809 million sequentially. The increase was driven primarily by the issuance of approximately $1 billion of convertible senior notes, partially offset by the $224 million repurchase of a portion of our existing convertible senior notes.

Moving on to our business outlook. We remain optimistic about the current demand environment for our products. And based on our strong third quarter results, we are raising our full year outlook. Consistent with our approach throughout this year, our bias is to reinvest upside in investments to continue innovation of our platform, fuel growth and further enhance our competitive positioning, but we will only do so with opportunities that we believe will have a meaningful return. We expect to be free cash flow positive again in Q4 and for the full year. Going forward, we expect to see continued variability in cash flow margins due to ongoing fluctuations in working capital, the growth in our enterprise business and seasonal factors.
For the fourth quarter of fiscal 2020, we expect total revenue of $155 million to $156 million, representing a growth rate of 34% to 35% year-over-year. Non-GAAP operating loss of $10.1 million to $9.1 million. Non-GAAP net loss per share of $0.05 to $0.04, assuming weighted shares outstanding of approximately $122 million. For the full year fiscal 2020, we now expect total revenue of $574 million to $575 million, representing a growth rate of 44% year-over-year; non-GAAP operating loss of $53.1 million to $52.1 million; non-GAAP net loss per share of $0.35 to $0.34, assuming weighted shares outstanding of approximately $117 million. Although we are in the early phases of financial planning, would like to provide a preliminary view of our revenue outlook for next year.

For fiscal year 2021, we currently estimate revenue in the range of $750 million to $760 million, which assumes no change to the healthy global demand environment we're experiencing.

In summary, we had another strong quarter, and we look forward to building on our progress as we close out the year. We remain uniquely positioned to capitalize on the market tailwinds and extend our leadership in the market. We have a powerful financial model and expect to benefit from substantial operating leverage over time. We are encouraged by the progress we've achieved and look forward to capitalizing on the tremendous market opportunity in front of us.

With that, Todd, Frederic and I will take your questions.

QUESTIONS AND ANSWERS

Operator
We'll take our first question from Melissa Franchi with Morgan Stanley.

Hamza Fodderwala - Morgan Stanley, Research Division - Research Associate
This is Hamza Fodderwala in for Melissa Franchi. I just wanted to dig in on the international revenue growth. This might be a question for Bill. It was up 37% in Q3. That was lower from 45% in Q2 and 60% in Q1. So I'm just wondering, is there anything that you're seeing from a macro standpoint or longer sales cycles that might be driving the slowdown in growth. And I just have one more follow-up.

Todd McKinnon - Okta, Inc. - Co-Founder, Chairman & CEO
Hey, Hamza. Thanks for the question, and thanks for the comments. The demand environment is very, very healthy in every segment, every geography. And it's really the -- we talked about it a bunch, but it's these secular massive trends of digital transformation, cloud and every company needing to be secure. So I think that's very clear in the results. Particularly strong was, as you -- from the prepared comments, it was pretty clear, was the enterprise segment. And we're continuing to invest to take advantage of these trends across the board. I think Bill probably had some follow-ups on the international piece, specifically, though.

William E. Losch - Okta, Inc. - CFO
Yes, I would say that, to Todd's point, that the trends that we're seeing here, we're certainly seeing outside of the U.S. internationally. We think that there is big long-term opportunities there. We're continuing to invest there. And we feel like the demand for our products is very strong outside the U.S., so we're feeling very good about that.
Hamza Fodderwala - Morgan Stanley, Research Division - Research Associate

Got it. And then just on the current RPO versus billings growth. So the current RPO was up 52%. If we look at it from a sort of a bookings perspective, just taking the revenue plus change in -- sequential change in current RPO, I'm getting to about 18% growth. One, is that a metric that you guys look at? And two, is there any reason for the big variance between the billings growth that you're seeing versus the current RPO bookings growth? Because it seems to be -- the variance seems to be widening. And just wondering if there's any sort of duration impact there, any changes in linearity that we should be mindful of going into Q4 and 2021?

William E. Losch - Okta, Inc. - CFO

Yes. I mean I think if you look at both billings and RPO, so current RPO growth, as we talked about on the call, is very strong, 52% year-over-year. The billings growth, also very strong at 41% year-over-year. I think what you're seeing is current RPO, we believe, is a strong metric that you should look in, in conjunction with billings and subscription revenue. But the reason current RPO, we think, gives a -- probably a clearer picture, let's say, of the strength of the business is the fact that with billings, you can have situations like invoice duration, invoice timing dynamics. The current RPO really does eliminate, and so that's why we've introduced that as a pretty strong metric. And both of them are growing very, very well.

RPO, for us, we've now reported 7 quarters of it. So it's fairly early. You also, with RPO, you're going to have some dynamics as far as renewals and timing of renewals. But we think looking at billings and RPO, especially current RPO, together is the best way to evaluate the strength of the business, which, as we said, based on our results in Q3 and prior quarters has been very strong.

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

Todd, I had a question for you, just following up on your comments about Access Gateway. And I was just -- obviously, it remains this huge priority to replace the legacy systems. But I'm wondering if you have a sense as to what the typical life cycle of an access management deployment might be? Like where are we in the aging of the installed base that you're going to replace? And just wondering if there's a tipping point coming in terms of end-of-life for some of the legacy products or anything like that, that can help drive the migration to more of a modern offering even faster than what you're seeing.

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

Yes. I think that there's a couple of things to consider there. One is just the speed and flexibility that's required by people wanting to do new digital transformation initiatives and people wanting to adopt cloud tools in general. And that's really putting pressure on these legacy tools that are static. A lot of times, companies have these big deployments, but people that know how to work them and know how to upgrade them don't even work there anymore. And they go to a big SI and to even change it a little bit is a huge bill. And a lot of times, just on that, something like Okta is justified on an ROI basis. That's one big trend.

The other big trend is specific things that are going on in the industry. I mean with -- like with computer associates and the transaction with Broadcom there, they've shifted away from that in terms of a go-forward perspective. Even Oracle is investing less in their identity management solution, and even Microsoft has a legacy identity management set of products that they've kind of abandoned because they realize, like everyone else, that cloud is the way to do identity management going forward. So vendor-specific is helping us as well.

Where we are, overall, in the life cycle, it's hard for me to say. All I know is that in our business, we're seeing every organization, especially large enterprises, they have, of course, myriad technologies, and a big part of it is on-premise and we're making sure our products are built to make those as easy to use and with as much agility as these cloud products. And Okta Access Gateway is a big part of that.
Operator

And we'll take our next question from Rob Owens from Piper Jaffray.

Robbie David Owens  -  Piper Jaffray Companies, Research Division  -  MD and Senior Research Analyst

I want to touch on just the competitive landscape. And a lot of the competitive rhetoric we're hearing from some of the large players, they're talking about identity being a focus for them, even though they've been in the category for some time. So as you move upmarket, which is evidenced by the numbers today, are you seeing Microsoft more? Are you seeing them more aggressive at this point? And anything you can do to add color would be helpful.

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

It's been very consistent. I mean I think you see companies that are smaller than us that are either newer companies or companies that have been around longer, just never got to scale. And we have a very, very clear differentiation against them as we do all the competitors. It's either scale, breadth, amount of resources we can put on the problem. And then you have companies like Microsoft, which obviously has a big platform and a big -- a wide array of technologies. And the differentiation there, it's -- some of the legacy platform companies like an Oracle don't have a good cloud story. But some of it -- or all of the platform companies, the differentiation for us is that we're very focused on allowing customer's choice and giving them the flexibility to deploy tools and do access management, everything from their customer websites, things they've built themselves, products and technologies from any vendor. And it really matters, and it really resonates with the market.

You can see, for example, everyone wants to move to this security model, the Zero Trust security model, which basically means -- Zero Trust basically means don't trust anything because it's on a particular network. Make sure you know who the user is. I mean to do that, a couple of things are very important. First of all you have to have an identity company that is at the center of it. If you want to verify and log every user in, you have to know who the users are and what they can access. And so identity is at the core of that. And secondly, it's implicitly multi-platform because even the biggest platform companies can't give you every device, every network, every firewall, every piece of developer tooling, every piece of infrastructure and on and on. So it's implicitly a best-of-breed hybrid world. And those 2 things mean that we're clearly differentiated from the big platform companies, which I think -- especially large enterprise, right, because every large enterprise has probably at least a few things from every large platform company. And we're able to have this success despite those companies, in our perspective, finally realizing this is important and making noise about it while not being able to deliver the results we can deliver.

Robbie David Owens  -  Piper Jaffray Companies, Research Division  -  MD and Senior Research Analyst

Great. I appreciate the color. And then second for Bill. Is there anything that informs your fourth quarter guidance that maybe is not as apparent to us? And if I look at the sequential change, it kind of goes back to a level when you were 1/6 the size that you were, where you saw 2 million to 3 million sequentially. So is there a renewal that's not happening? Was there any pull-forward, I guess, in the third quarter? Or is this conservatism on your part?

William E. Losch  -  Okta, Inc.  -  CFO

Yes, Rob. I think that we're obviously pleased with the performance in the third quarter. And based on that, we felt very good about raising our guidance as we went into the fourth quarter. And for the full fiscal year '20, we're raising our guidance $12 million versus what we forecasted back in August, and full year is at 44% year-over-year growth, which is very strong. I do think the one thing to note is, because it is the fourth quarter, the fourth quarter tends to be a little bit back end-loaded as far as bookings. So the amount of revenue we would derive in-quarter or derived from in-quarter bookings is not going to be as much as you might normally see. So that's really what you're seeing there. But demand is strong. We're feeling very good about our product demand. And so there's no other thing I would point out.
Operator
And we'll take our next question from Walter Pritchard from Citi.

Walter H Pritchard - Citigroup Inc, Research Division - MD and U.S. Software Analyst
I guess a question for Todd to start out. Just on next year, as you think about the drivers, specifically with enterprise becoming a bigger part of the business, how do you think about things like Access Gateway and just the sales cycles and enterprise being swing factors on the guide next year? And if you compare it to sort of how you guided last year going into the year and this year, how much sort of an envelope is there around those numbers, given some of the new drivers this year?

Todd McKinnon - Okta, Inc. - Co-Founder, Chairman & CEO
I think enterprise is -- it's very important to us, and it's a big driver of our business overall. And I think that we're very, very optimistic about it. But I think the reality is that the success there is still fairly early, considering the size of that market. Even when you look at our adds to customers over $100,000 in recurring revenue, what, 4 or 5 years ago, would have been significant deals for us, sizes for us at Okta. Now these are big deals relative to what we did in the past, but they're actually very small, considering the overall problems we can solve for these customers.

So we're very excited about the enterprise, but we think the upside there is massive. And that's why we're really focused on, from everything, from how we build out the go-to-market, how we continue to double-down on customer success, how we build the products to address those use cases, how we make sure we do what we've always been incredibly strong at, which is building this extensible platform and this platform that can connect to anything in their environment, whether it's on-premise or cloud, and that's why we're oriented the way we are.

Jacques Frederic Kerrest - Okta, Inc. - Co-Founder, Executive Vice Chairperson & COO
And Walt, this is Frederic. I would just add a couple of things. The first one is when we go into these large organizations, I think one thing that the executives at our prospects really appreciated, we're not walking in with a forklift-upgrade story telling them that they're not going to see any value for a long time. We're walking in with a land-and-expand story, where we're going to earn their business and their trust and deliver results and then grow that opportunity over time for ourselves. So that's one thing that I think plays out in our favor when you talk about swing and kind of our resiliency to having a lot of those big swing challenges that large enterprise companies traditionally have on-premises.

The second thing is I would just add to Heather's question earlier and to your commentary on Okta Access Gateway. From my perspective in talking with large organizations and CIOs at Fortune 500 companies, it's a great opportunity for us to unlock more value and more potential for Okta inside these organizations. We've always been very good at the cloud migration. We've always been very, very good at the digital transformation when they're trying to create new websites or new applications. But now they're really seeing the potential for us to be the end-to-end identity platform for them to standardize on across the workforce, both in the cloud and on-premises. And I think that hybrid IT story that OAG unlocks, you're going to see a lot of value and power out of that in the quarters ahead.

Operator
And 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
And congrats on a nice quarter. First question, maybe for Todd. Kind of piggybacking off the last question, if you look at where you are now versus a year ago in terms of the key drivers of demand, you have more integrations, you have a much larger installed base and you have many new use
cases that you support. So -- and it seems that your current RPO growth is reflective of those trends, so I'm just wondering if you could give us your views on how you think the company is positioned now versus where we were a year ago.

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

I think I would say the biggest change is -- there's a lot -- there's been a lot of changes and a lot of positive evolution. I think I would say that the headline would be the recognition in the market that identity is central to all these things. If you look at how people have traditionally thought about technology, it was firewall-centric or it was maybe platform-centric, but it's different now. People are seeing that with these trends, where they have to be more -- faster, more flexible, build these digital transformation projects and initiatives. They have to keep it all secure in a way that also allows seamless access from anywhere. What is different now is that they see identity as being central to those trends, which is the most positive change or positive evolution for Okta in the last year. That's kind of in the -- on the market side.

On the product side, I think we've made a ton of progress making the platform more scalable. We talked about DynamicScale and our success there in terms of that capability and wrapping that into a product offering. We've released a capability called Okta Hooks, which is really an extensibility play. We talked about Identity Engine, which is really serving up Okta as a set of componentized building blocks that helps customers use it in a much more flexible way. We, of course, have the integration catalog that continues to be, far and away, the most -- the premier integration catalog in terms of breadth and depth in the industry. It's really unrivaled. And we've made progress along those dimensions. So and that’s important to addressing this market that's coming to the realization that not only these massive secular trends but also identity being central to those.

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

Great. And then maybe just a follow-up for Bill. I certainly appreciate the outlook for fiscal '21. But when we look at your current RPO, it has been growing in the 50% range all year. Your billings have been in the 40% to 50% range all year. Given the growth of those metrics, I guess why would you only expect 31.5% growth in revenue for fiscal '21?

**William E. Losch - Okta, Inc. - CFO**

Well, Andy, as I said in my prepared remarks, we’re still early in our financial planning. And the other comment I would make is we’re still yet to close Q4, which is our seasonally strongest quarter. So this really is a preliminary view for next year. We are very confident in our positioning and -- but we remain measured in our approach to guidance because you're right, as evidenced by the strong RPO, strong business, we are seeing strong momentum with our enterprise customers. But those engagements typically have longer sales cycles, so that does result in less near-term visibility. So I think we’re just being prudent this early in our financial planning process.

**Operator**

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

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

I just wanted to maybe start with some of the newer use cases around maybe contextual access, Zero Trust. And maybe can you give us a sense of how this has maybe impacted deal sizes, number of products? And maybe are you seeing any customers coalesce around certain product families?

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

I think the contextual access in Zero Trust, it's -- I think that's doing a couple of things for us. One is it's helping drive new business because it increases the urgency to adopt a modern access management framework, especially if you have a legacy access management framework, whether
it’s firewall-based or whether it’s active, on-premise active directory-based. When you realize that you’re -- that’s not going to get you where you need to be in terms of a flexible access model, you have to get a modern solution. So something like Okta, which has dynamic capabilities around adaptive multifactor authentication, contextual access management and not to mention, the -- all of the SecurityInsights capabilities we talked about at our Showcase event. It really raises the urgency in customers to buy a modern solution, but also helps us on the upsell side, where we can upsell our adaptive multifactor authentication product, we can upsell adaptive SSO, which includes the SecurityInsights capabilities. So it helps us on both dimensions.

Another big part of that too is it’s still -- Zero Trust is very much an integration story. You can’t -- you’re not going to get -- you don’t want Zero Trust just for one application or one scenario. You want it for everything. And if you want to support every device and every network and every partner and different business applications that need to be accessed in various ways, you have to have integration to everything. And that’s -- we come back to that foundation for us, which is broad, breadth and depth of the integration catalog.

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

Got it. And then just as a quick follow-up. You talked a little bit about the scale bursting capabilities. And specifically, does this put you ahead of the competition or open up new use cases? I just want to understand the opportunity around that as you go forward?

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

Yes, DynamicScale, which is a capability, which, if you -- basically, you buy DynamicScale and you get up to 500,000 authentications per minute, which puts us ahead of all the competition in terms of the capability that, that supports, even the biggest burstious websites in the world. We don’t know their exact numbers. They don’t disclose their exact numbers, but we gave the example of Amazon Prime in the prepared comments.

But this is what our customers need. And given our cloud-native approach, we built Okta as a cloud service from the day we started writing code. It was possible for us to add this capability and package it up in something customers could take advantage very rapidly, right? It doesn’t require, like if you’re running Oracle Identity, it would require -- you would ask a big SI to come in and spend a bunch of millions of dollars in a year to get this going. And we were able to add it and offer to our customers relatively rapidly.

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

And Jonathan, I would just add that if you look, we put out a press release as an example today of athenahealth, an existing customer of ours. They’ve been using our customer identity and access management capability for some time. And they purchased DynamicScale as a leading provider in health care IT services. They had to think about how they support tens of millions of users, and that’s both all their doctors, all their providers and millions of patients that access these portals. And obviously, they want to make sure that when you’re trying to access that kind of information, it’s something you can always do. You can do it reliably. You can do it scalably in a secure manner. And I think that’s a very good example of brand-new product innovation being introduced and immediately adopted by customers at scale.

Operator

And we’ll take our next question from Jonathan Ruykhaver with Baird.


I’m curious if you could just talk a little bit about traction with SIs, just the impact that channel is having on the business, what gives you confidence that the investments you’ve made there can support an enduring opportunity.
Jacques Frederic Kerrest - Okta, Inc. - Co-Founder, Executive Vice Chairperson & COO

Yes. Thanks for the question. We’re seeing the investments that we’ve been making over the years in the partner channel pay off. Certainly, in terms of global reach and scale, we think that’s going to be a big opportunity. And then specifically, when it comes to the global system integrators, all of the big ones out there that work on these transformative IT projects, Accenture, Deloitte, PwC, they’re all getting more and more of their consultants certified and trained, and we’re seeing them do more and more critical deployments for us. So we think that’s a big opportunity.

It’s also very early days. As you can imagine, as we’re just getting into the world’s largest organizations, just starting to get them up and running and successful in their first deployments as part of the Okta Identity Cloud, there’s a lot more opportunity ahead. And I think that’s something that the global system integrators see and certainly are coming and more and more interested in what we’re doing.

I would also add that new products like Okta Access Gateway are huge because they allow us to really unlock that potential of the hybrid IT ecosystem, which, in a large organization, they might be looking to do more cloud. Internally, they might be looking at digital transformation, but the reality of it is they’ve made investments in legacy on-premises infrastructure for decades and they need to take advantage of those investments.

So with Okta Access Gateway, it really allows us to tie in the end-to-end story from the cloud, all the way back to the deepest on-premises legacy infrastructure. And those kinds of deployments and integrations are obviously something that is very appealing to the global system integrators.

Operator

And we’ll take our next question from Taz Koujalgi with Guggenheim Partners.

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

I had a question about the new customer adds. The new customer adds, I think, were flat year-over-year last quarter. And I think for this quarter, they’ve gone down year-over-year, which is, I think, the first time ever that we’ve seen that. Anything to call out there? And what are you guys expecting in terms of new customer adds going forward?

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

Yes. Thanks for the question. We’re very excited about the results that we’ve shown. I think for the past number of quarters, the net customer adds have always been between 350, 500, and we’re right there in the middle again at 400.

I would point out a few things, though. First of all, if you look at the $100,000-and-above customers, if you look at the ACV growth year-over-year, it’s at about 50% compared to last year, which is great. We added 103 of those larger customers, which is the second best number that we’ve had in a quarter all-time. And over 50% of those plus 103 net new customers are new logos to us, which is really exciting.

I would also point to the Q3 top 25 contracts that we have, the TTV for those was all over $1 million, which is the first time ever. And obviously, you see the results in the total RPO of 68% year-over-year growth. So what you’re really seeing is we’re getting into larger organizations. We’re doing larger engagements, larger purchases. And it’s really the quality of the customers is really going up, and we’re very, very excited about that and very bullish on that, that the investments we’re making in the world’s largest organizations are really starting to bear fruit, and we’re very bullish on that in the quarters ahead.

Operator

And we’ll take our next question from Keith Bachman with BMO.
Keith Frances Bachman - BMO Capital Markets Equity Research - MD & Senior Research Analyst

I wanted to ask 2 questions, if I could. The follow-up from a previous question, as we think about next year, I wanted to see if you could specifically comment on net retention rate. The net retention rate has been ticking down over the last number of quarters, but if you think about Access Gateway and some of the other products that you mentioned, do you think that stabilizes?

William E. Losch - Okta, Inc. - CFO

Yes. I mean I think the -- as we talked about, the net retention rate, the point drop that we saw this quarter, is really because we're doing more and more larger initial deals with our large enterprise customers, which is evident by the RPO growth of 68%. And landing bigger and longer-term deals like that are really healthy indicators for the business. And it really is a testament to the strategic value that Okta plays for these large enterprises. So we do think there's significant opportunity for expansion in those accounts over time.

I think as you look at it, we have said before, we think there will be — or may be fluctuations a bit up or down, maybe to recede a bit further. We've talked about a range of 115% to 120%, and we still think that's a reasonable range to be thinking about for net retention rate.

Operator

And we'll take our next question from Nick Yako with Cowen and Company.

Nicholas Andrew Yako - Cowen and Company, LLC, Research Division - VP & Senior Analyst

I wanted to ask about your standing in the developer community and if you've seen any noticeable change in terms of developers' willingness to work with the company since launching the Identity Engine and Hooks earlier this year. And then maybe how important is buying from that community to the go-forward strategy?

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

It's important. Something we're investing a lot in. And it's -- if you think about a typical customer identity management project, there is, of course, there's a lot of stake. These are such strategic projects for these companies. There's lots of stakeholders around the company that are interested, from the technology team, the marketing team, the customer service team, and of course, the developers, right? And we've been very, very strong traditionally with the technology team or the IT team or the security team. But in that equation, especially on the customer identity side, the developers are very important.

So part of it is just making sure you have the -- clearly communicate what your product does from a documentation perspective, and not only just documenting the basic functionality, but documenting the design patterns and ideas in how to use it and what are the best practices and so forth. And we're seeing our investments there over the last few years pay off in terms of engagement on our developer.okta.com and just the overall traffic and the energy around that community.

And then I would say that the other big part of it is that the product, whether it's how the APIs work and how the core platform is composable and how you can use parts of it and choose exactly what you need and what's relevant and order it and set it up in exactly the way you need it. And that's about -- that's Identity Engine, right? And I think Identity Engine is critical, but it's also relatively early. It's in beta right now. It's being used, and we're getting great feedback from the beta customers. And it's -- we're learning as we suspected that it's incredibly, incredibly valuable to these companies. It makes things that were not possible before possible with the Okta platform, which is exactly why we invested in it. And you'll see us continue to invest in that and roll that capability out to broader and broader audiences in the quarters ahead.
Operator
We'll take our next question from Pat Walravens with JMP Securities.

Joseph P. Goodwin  -  JMP Securities LLC, Research Division - Analyst
This is Joey on for Pat. Congrats on the quarter. I was just wondering if you could provide an update on your target model for FY '24.

William E. Losch  -  Okta, Inc. - CFO
So as we talked about, we're early in our fiscal year '21 planning for next year. We gave some preliminary guidance on revenues, which we thought would be helpful for you as you start to update your models. I think on profitability, again, we're going through that planning process. And so it's still early. That being said, I mean, I think that you should think about the fact that, as we've said before, we've demonstrated strong leverage in the model. We're in the early stages of growing in what we think are very large opportunities in 2 really big markets, both workforce and customer identity. And so we're going to invest and continue to invest in go-to-market and innovation to optimize growth. But these investments are consistent with our model, and we're still feeling that we're on track for the model that we shared back at Analyst Day last October -- or October last year.

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

This is Sahil on for Sterling. So how is the traction in Advanced Server Access into the existing customer base? And how should we see the new infrastructure identity opportunity ramp?

Todd McKinnon  -  Okta, Inc. - Co-Founder, Chairman & CEO
Advanced Server Access is it's early. It just became -- or it was generally available back at Oktane back in April, and we're seeing solid uptake on customers that are -- want to take their -- what traditionally Okta has done and apply it to their servers in their infrastructure. So single sign-on to apps, now can also be single sign-on to servers and access control for servers, which is very powerful, especially if you think about companies that are trying to become technology companies and trying to build more websites to launch new products or enhance existing products. And largely, they're doing that with cloud and cloud environments. They're very dynamic environments that have thousands of servers that burst up and down, and they're not the traditional IT environments that are more static and you put up 6 servers in a rack and kind of that's the access management challenge. These are -- you might have 10 servers today and 1,000 tomorrow. And the access management challenges on that become even more of a pressing issue in terms of security. So the success there is it's still relatively early. Like I said, it just launched GA back in April, but we're excited about that being a big, big driver for us going forward.

Operator
(Operator Instructions) We'll hear next from Roger Boyd with Needham & Company.

Roger Foley Boyd  -  Needham & Company, LLC, Research Division - Research Analyst
I'm on for Alex Henderson. Wondering if we can get your thoughts on the hiring environment. Nice to see headcount growth accelerated to 44%. But is this where you expected it to be? Or would you have liked to have done a little bit more?
William E. Losch - Okta, Inc. - CFO

Yes. The 44%, as we talked about, was an acceleration of our headcount growth over the first half of the year, which is also very strong at 40% growth. And so we’re on target for our hiring. We feel really good about our ability to hire, develop and retain talent. So we’re feeling like we’re on target in all the areas. And we’re hiring across the board and are pretty pleased with our success as far as bringing folks and retaining folks in the company.

Operator

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. We’ll be hosting a number of bus tours over the next several weeks as well as attending the Needham Growth Conference in New York on January 15. So we hope to see you at one of those events, and thank you for your time this afternoon.

Operator

Once again, that concludes today’s conference. Thank you for your participation. You may now disconnect your phone lines.