UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 30, 2024
OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 001-38044

Okta, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**100 First Street, Suite 600**	**26-4175727**
(State or Other Jurisdiction of Incorporation or Organization)	**San Francisco** **California** **94105**	(I.R.S. Employer Identification Number)
	(Address of Principal Executive Offices)	

Registrant's telephone number, including area code: (888) 722-7871

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value $0.0001 per share	OKTA	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files) Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 24, 2024, the number of shares of registrant's Class A common stock outstanding was 160,950,261 and the number of shares of the registrant's Class B common stock outstanding was 7,276,091.

Okta, Inc.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Words such as "expect," "anticipate," "should," "believe," "hope," "target," "project," "goals," "estimate," "potential," "predict," "may," "will," "might," "could," "intend," "shall" and similar expressions are intended to identify these forward-looking statements. These statements include, but are not limited to, statements about: our future financial performance, including our revenue, costs of revenue, gross profits, margins and operating expenses; the impact of general economic, market and industry conditions, including geopolitical events, economic downturns or recessions, market volatility, inflation and interest rates, and foreign currency fluctuations; trends in our key business metrics; our growth strategy and ability to compete; the sufficiency of our cash and cash equivalents, investments and cash provided by sales of our products and services to meet our liquidity needs; market or other opportunities arising from business combinations; potential impacts of cybersecurity incidents to our reputation, customer relations and financial results; our ability to detect, minimize or prevent security breaches to our internal systems and platform; our ability to maintain the security and service performance of our and our third-party service providers' systems or data, or our customers' data; our ability to increase our number of new customers; our ability to sell additional products to and retain our existing customers; our ability to successfully expand in our existing markets and into new markets; our ability to effectively sustain or manage our revenue growth and profitability; our ability to expand our product sales by promoting our brand and engaging channel partners; our ability to partner with third-party software vendors and system integrators; the ability of our products to effectively integrate with third-party systems and technologies; uncertainties or issues relating to artificial intelligence that may impact our products, tools and services; our ability to adequately fund research and development and introduce new products, enhance existing products and address new use cases; our ability to expand our international business operations and product sales; our ability to maintain and protect our proprietary rights and intellectual property; our ability to comply with modified or new laws, regulations and industry standards; the attraction and retention of qualified employees and key personnel; the impact of recent accounting pronouncements on our financial statements; our ability to successfully defend litigation or other claims brought against us; our ability to successfully integrate and realize the benefits of strategic acquisitions or investments; and the intent of our executive officers to hold their shares of Class B common stock. These forward-looking statements are made as of the date they were first issued and are based on current expectations and assumptions that are subject to risks and uncertainties, which could cause our actual results to differ materially from those anticipated or implied by any forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in "Risk Factors" in this Quarterly Report on Form 10-Q as well as other documents that may be filed by us from time to time with the Securities and Exchange Commission. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

PART I

Item. 1 Financial Statements

OKTA, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(dollars in millions, shares in thousands, except per share data)

	April 30, 2024 (unaudited)	January 31, 2024
Assets		
Current assets:		
Cash and cash equivalents	$ 322	$ 334
Short-term investments	1,998	1,868
Accounts receivable, net of allowances of $6 and $6, respectively	307	559
Deferred commissions	117	113
Prepaid expenses and other current assets	173	106
Total current assets	2,917	2,980
Property and equipment, net	47	48
Operating lease right-of-use assets	81	83
Deferred commissions, noncurrent	232	242
Intangible assets, net	184	182
Goodwill	5,448	5,406
Other assets	46	48
Total assets	$ 8,955	$ 8,989
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 12	$ 12
Accrued expenses and other current liabilities	166	115
Accrued compensation	117	167
Deferred revenue	1,391	1,488
Total current liabilities	1,686	1,782
Convertible senior notes, net, noncurrent	1,155	1,154
Operating lease liabilities, noncurrent	108	112
Deferred revenue, noncurrent	19	23
Other liabilities, noncurrent	34	30
Total liabilities	3,002	3,101
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Preferred stock, par value $0.0001 per share; 100,000 shares authorized; no shares issued and outstanding as of April 30, 2024 and January 31, 2024	—	—
Class A common stock, par value $0.0001 per share; 1,000,000 shares authorized; 160,912 and 159,835 shares issued and outstanding as of April 30, 2024 and January 31, 2024, respectively	—	—
Class B common stock, par value $0.0001 per share; 120,000 shares authorized; 7,291 shares issued and outstanding as of April 30, 2024 and January 31, 2024	—	—
Additional paid-in capital	8,840	8,724
Accumulated other comprehensive loss	(17)	(6)
Accumulated deficit	(2,870)	(2,830)
Total stockholders' equity	5,953	5,888
Total liabilities and stockholders' equity	$ 8,955	$ 8,989

See Notes to Condensed Consolidated Financial Statements.

OKTA, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars in millions, shares in thousands, except per share data)

(unaudited)

	Three Months Ended April 30,	
	2024	**2023**
Revenue:		
Subscription	$ 603	$ 503
Professional services and other	14	15
Total revenue	617	518
Cost of revenue:		
Subscription	130	122
Professional services and other	18	20
Total cost of revenue	148	142
Gross profit	469	376
Operating expenses:		
Research and development	163	163
Sales and marketing	236	256
General and administrative	117	110
Restructuring and other charges	—	7
Total operating expenses	516	536
Operating loss	(47)	(160)
Interest expense	(2)	(3)
Interest income and other, net	27	17
Gain on early extinguishment of debt	—	31
Interest and other, net	25	45
Loss before provision for income taxes	(22)	(115)
Provision for income taxes	18	4
Net loss	$ (40)	$ (119)
Net loss per share, basic and diluted	$ (0.24)	$ (0.74)
Weighted-average shares used to compute net loss per share, basic and diluted	167,465	161,323

See Notes to Condensed Consolidated Financial Statements.

OKTA, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in millions)

(unaudited)

	Three Months Ended April 30,	
	2024	**2023**
Net loss	$ (40)	$ (119)
Other comprehensive income (loss):		
Net change in unrealized gains or losses on available-for-sale securities	(8)	11
Foreign currency translation adjustments	(3)	2
Other comprehensive income (loss)	(11)	13
Comprehensive loss	$ (51)	$ (106)

See Notes to Condensed Consolidated Financial Statements.

OKTA, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(dollars in millions, shares in thousands)

(unaudited)

	Three Months Ended April 30, 2024							
	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balances as of January 31, 2024	159,835	—	7,291	—	8,724	(6)	(2,830)	5,888
Issuance of common stock	1,077	—	—	—	6	—	—	6
Taxes withheld related to net share settlement of equity awards	—	—	—	—	(42)	—	—	(42)
Stock-based compensation	—	—	—	—	152	—	—	152
Other comprehensive loss	—	—	—	—	—	(11)	—	(11)
Net loss	—	—	—	—	—	—	(40)	(40)
Balances as of April 30, 2024	160,912	—	7,291	—	8,840	(17)	(2,870)	5,953

	Three Months Ended April 30, 2023							
	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balances as of January 31, 2023	154,009	—	7,300	—	7,974	(33)	(2,475)	5,466
Issuance of common stock	1,068	—	—	—	8	—	—	8
Proceeds from hedges related to convertible senior notes	(33)	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	166	—	—	166
Other comprehensive income	—	—	—	—	—	13	—	13
Net loss	—	—	—	—	—	—	(119)	(119)
Balances as of April 30, 2023	155,044	—	7,300	—	8,148	(20)	(2,594)	5,534

See Notes to Condensed Consolidated Financial Statements.

OKTA, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

(unaudited)

	Three Months Ended April 30,	
	2024	**2023**
Cash flows from operating activities:		
Net loss	$ (40)	$ (119)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Stock-based compensation	151	166
Depreciation, amortization and accretion	21	25
Amortization of deferred commissions	30	23
Deferred income taxes	1	1
Lease impairment charges	—	8
Gain on early extinguishment of debt	—	(31)
Other, net	3	3
Changes in operating assets and liabilities:		
Accounts receivable	251	191
Deferred commissions	(26)	(25)
Prepaid expenses and other assets	(70)	(13)
Operating lease right-of-use assets	5	6
Accounts payable	—	(2)
Accrued compensation	(51)	(11)
Accrued expenses and other liabilities	54	(9)
Operating lease liabilities	(9)	(10)
Deferred revenue	(101)	(74)
Net cash provided by operating activities	219	129
Cash flows from investing activities:		
Capitalized software	(4)	(5)
Purchases of property and equipment	(1)	—
Purchases of securities available-for-sale and other	(459)	(431)
Proceeds from maturities and redemption of securities available-for-sale	324	456
Proceeds from sales of securities available-for-sale and other	2	61
Payments for business acquisitions, net of cash acquired	(56)	(22)
Net cash provided by (used in) investing activities	(194)	59
Cash flows from financing activities:		
Payments for repurchases of convertible senior notes	—	(332)
Taxes paid related to net share settlement of equity awards	(41)	—
Proceeds from stock option exercises	4	6
Net cash used in financing activities	(37)	(326)
Effects of changes in foreign currency exchange rates on cash, cash equivalents and restricted cash	(1)	1
Net decrease in cash, cash equivalents and restricted cash	(13)	(137)
Cash, cash equivalents and restricted cash at beginning of period	342	271
Cash, cash equivalents and restricted cash at end of period	$ 329	$ 134
Supplementary cash flow disclosure:		
Cash paid during the period for:		
Operating leases	11	12
Non-cash activities:		
Operating lease right-of-use assets exchanged for lease liabilities	3	4
Reconciliation of cash, cash equivalents and restricted cash within the condensed consolidated balance sheets to the amounts shown in the condensed consolidated statements of cash flows above:		
Cash and cash equivalents	$ 322	$ 125
Restricted cash, current included in prepaid expenses and other current assets	1	1
Restricted cash, noncurrent included in other assets	6	8
Total cash, cash equivalents and restricted cash	$ 329	$ 134

See Notes to Condensed Consolidated Financial Statements.

1. Overview and Basis of Presentation

Description of Business

Okta, Inc. (the "Company") is the leading independent identity partner. The Company's Workforce Identity Cloud and Customer Identity Cloud, powered by Auth0, enable customers to securely connect the right people to the right technologies and services at the right time. Employees and contractors sign into the Workforce Identity Cloud to seamlessly and securely access the applications they need to do their most important work. Organizations use the Company's Identity Platform to collaborate with their partners, and to provide their customers with more modern and secure experiences in the cloud and via mobile devices. Developers leverage the Workforce Identity Cloud and Customer Identity Cloud to securely and efficiently embed identity into the software they build, allowing them to innovate and focus on their core missions. The Company is headquartered in San Francisco, California.

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements, which include the accounts of the Company and its wholly owned subsidiaries, have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") for interim periods. Accordingly, they do not include all of the financial information and footnotes required by GAAP for complete financial statements. All intercompany balances and transactions have been eliminated in consolidation. The Company conducts business globally and is managed, operated and organized by major functional departments that operate on a consolidated basis. As a result, the Company operates in one reportable segment.

The condensed consolidated balance sheet as of January 31, 2024, included herein, was derived from the audited financial statements as of that date. In the opinion of the Company's management, the unaudited condensed consolidated financial statements reflect all normal recurring adjustments necessary for a fair statement of the results of operations for the interim periods presented but are not necessarily indicative of the results of operations to be anticipated for the full fiscal year ending January 31, 2025 or any future period.

The Company's fiscal year ends on January 31. References to fiscal 2025, for example, refer to the fiscal year ending January 31, 2025.

Certain prior period amounts have been reclassified to conform to the current period presentation.

The condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 1, 2024.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates are based on historical experience and on other assumptions that management believes are reasonable under the circumstances. Actual results could vary from those estimates. The Company's most significant estimates include the valuation of deferred income tax assets, uncertain tax positions, assets and liabilities acquired in business combinations, and loss contingencies related to litigation.

2. Accounting Standards and Significant Accounting Policies

Significant Accounting Policies

For a summary of the Company's significant accounting policies refer to "Note 2. Summary of Significant Accounting Policies" of its Annual Report on Form 10-K for the fiscal year ended January 31, 2024.

Recent Accounting Pronouncements Not Yet Adopted

In November 2023, the Financial Accounting Standards Board (“FASB”) issued guidance which requires disclosure of incremental segment information on an annual and interim basis. This guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, and requires retrospective application to all prior periods presented in the financial statements. The Company is currently evaluating the impact of this Accounting Standards Update ("ASU") and intends to adopt this guidance in fiscal 2025.

In December 2023, the FASB issued guidance to provide disaggregated income tax disclosures on the rate reconciliation and income taxes paid. This guidance is effective for annual periods beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of this ASU.

3. Restructuring and Other Charges

During the fourth quarter of fiscal 2024, the Company approved a restructuring plan (the “2024 Restructuring Plan”) intended to improve operating efficiencies and profitability. The 2024 Restructuring Plan involved a reduction of the Company’s workforce by approximately 400 full-time employees. The 2024 Restructuring Plan was substantially complete by the first quarter of fiscal 2025 and the Company recognized aggregate restructuring costs of $24 million in the fourth quarter of fiscal 2024.

The following table summarizes the Company’s restructuring liability that is included in Accrued expenses and other current liabilities on the condensed consolidated balance sheets:

	Severance and termination benefit costs	
	(dollars in millions)	
Balance as of January 31, 2024	$	24
Restructuring charges		—
Cash payments		(22)
Balance as of April 30, 2024	$	2

4. Cash Equivalents and Investments

Cash Equivalents and Short-term Investments

In estimating fair value, the Company uses a three-tier fair value hierarchy as follows:

- **Level 1 —** Valuations based on observable inputs that reflect quoted prices for identical assets or liabilities in active markets.
- **Level 2 —** Valuations based on other inputs that are directly or indirectly observable in the marketplace.
- **Level 3 —** Valuations based on unobservable inputs that are supported by little or no market activity.

The following tables present the amortized cost, unrealized gain (loss) and estimated fair value of cash equivalents and short-term investments:

	As of April 30, 2024			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
	(dollars in millions)			
Level 1:				
Cash equivalents:				
Money market funds	$ 196	$ —	$ —	$ 196
Total cash equivalents	196	—	—	196
Level 2:				
Short-term investments (Available-for-sale):				
U.S. treasury securities	1,924	—	(6)	1,918
Corporate debt securities	39	—	—	39
Certificates of deposit	41	—	—	41
Total short-term investments	2,004	—	(6)	1,998
Total	$ 2,200	$ —	$ (6)	$ 2,194

	As of January 31, 2024			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
	(dollars in millions)			
Level 1:				
Cash equivalents:				
Money market funds	$ 151	$ —	$ —	$ 151
Total cash equivalents	151	—	—	151
Level 2:				
Short-term investments (Available-for-sale):				
U.S. treasury securities	1,782	3	(1)	1,784
Corporate debt securities	43	—	—	43
Certificates of deposit	41	—	—	41
Total short-term investments	1,866	3	(1)	1,868
Total	$ 2,017	$ 3	$ (1)	$ 2,019

The following table presents the contractual maturities of the Company's short-term investments:

	As of April 30, 2024	
	Amortized Cost	Estimated Fair Value
	(dollars in millions)	
Due within one year	$ 1,524	$ 1,522
Due between one to five years	480	476
Total	$ 2,004	$ 1,998

Interest receivable of $23 million and $20 million is included in Prepaid expenses and other current assets on the condensed consolidated balance sheets as of April 30, 2024 and January 31, 2024, respectively.

The following table presents the fair values and unrealized losses related to the Company's investments in available-for-sale debt securities classified by length of time that the securities have been in a continuous unrealized loss position as of April 30, 2024:

	Less Than 12 Months		More Than 12 Months		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
	(dollars in millions)					
U.S. treasury securities	$ 1,529	$ (5)	$ 191	$ (1)	$ 1,720	$ (6)
Corporate debt securities	25	—	—	—	25	—
Total	$ 1,554	$ (5)	$ 191	$ (1)	$ 1,745	$ (6)

The Company had 93 and 41 short-term investments in unrealized loss positions as of April 30, 2024 and January 31, 2024, respectively.

For available-for-sale debt securities that have unrealized losses, the Company evaluates whether (i) the Company has the intention to sell any of these investments, (ii) it is not more likely than not that the Company will be required to sell any of these available-for-sale debt securities before recovery of the entire amortized cost basis and (iii) the decline in the fair value of the investment is due to credit or non-credit related factors. There were no material credit or non-credit related impairments for short-term investments as of April 30, 2024 and January 31, 2024.

Strategic Investments

Strategic investments primarily include equity investments in privately-held companies, which do not have a readily determinable fair value. As of April 30, 2024 and January 31, 2024, the balance of strategic investments was $26 million.

5. Deferred Commissions

Sales commissions capitalized as contract costs totaled $26 million and $25 million in the three months ended April 30, 2024 and 2023, respectively. Amortization of contract costs totaled $30 million and $23 million for the three months ended April 30, 2024 and 2023, respectively.

6. Deferred Revenue and Performance Obligations

Deferred Revenue

Deferred revenue, which is a contract liability, consists primarily of payments received and accounts receivable recorded in advance of revenue recognition under the Company's contracts with customers and is recognized as the revenue recognition criteria are met.

Subscription revenue recognized during the three months ended April 30, 2024 and 2023 that was included in the deferred revenue balances at the beginning of the respective periods was $557 million and $467 million, respectively.

Transaction Price Allocated to the Remaining Performance Obligations

Transaction price allocated to the remaining performance obligations ("RPO") represents all future, non-cancelable contracted revenue that has not yet been recognized, inclusive of deferred revenue that has been invoiced and non-cancelable amounts that will be invoiced and recognized as revenue in future periods.

Total remaining non-cancelable performance obligations under subscription contracts with customers was approximately $3,364 million as of April 30, 2024. Of this amount, the Company expects to recognize revenue of approximately $1,949 million, or 58%, over the next 12 months, with the balance to be recognized as revenue thereafter. Remaining performance obligations for professional services and other contracts as of April 30, 2024 were not material.

7. Convertible Senior Notes, Net

Convertible Senior Notes

The 2025 convertible senior notes (“2025 Notes”) and the 2026 convertible senior notes (“2026 Notes” and together with the 2025 Notes, the “Notes”) are recorded at face value less unamortized debt issuance costs.

During the three months ended April 30, 2023, the Company repurchased $366 million principal amount of the 2025 Notes for $332 million in cash, resulting in a gain on early extinguishment of debt of $31 million. There were no such repurchases during the three months ended April 30, 2024.

The net carrying amount of the Notes consisted of the following:

	As of April 30, 2024	As of January 31, 2024
	(dollars in millions)	
2025 Notes:		
Principal	$ 552	$ 552
Less: unamortized debt issuance costs	(2)	(3)
Net carrying amount	$ 550	$ 549
2026 Notes:		
Principal	$ 608	$ 608
Less: unamortized debt issuance costs	(3)	(3)
Net carrying amount	$ 605	$ 605

Fair Value Measurements

The following table presents the principal amounts and estimated fair values of the Notes, which are not recorded at fair value on the condensed consolidated balance sheets:

	As of April 30, 2024	
	Principal Amount	Estimated Fair Value
	(dollars in millions)	
2025 Notes	$ 552	$ 520
2026 Notes	$ 608	$ 551

The estimated fair values of the Notes, which are Level 2 financial instruments, were determined based on the quoted bid prices of the Notes in an over-the-counter market on the last trading day of the reporting period.

8. Commitments and Contingencies

Letters of Credit

In conjunction with the execution of certain office space operating leases, letters of credit in the aggregate amount of $7 million were issued and outstanding as of April 30, 2024 and January 31, 2024. No draws have been made under such letters of credit.

Legal Matters

From time to time in the normal course of business, the Company may be subject to various legal matters such as threatened or pending claims or proceedings.

On May 20, 2022, a purported shareholder filed a putative class action lawsuit in the United States District Court for the Northern District of California against the Company and certain of its executive officers, captioned *In re Okta, Inc. Securities Litigation,* No. 3:22-cv-02990. The lawsuit asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, alleging that the defendants made false or misleading statements or omissions concerning the Company’s cybersecurity controls, vulnerability to data breaches, and the Company’s integration of Auth0, Inc. (“Auth0”). The lawsuit seeks an order certifying the lawsuit as a class action and unspecified damages.

The defendants moved to dismiss the amended complaint. On March 31, 2023, the court issued an order granting in part and denying in part the motion to dismiss. The court dismissed in full the claims based on the plaintiff's allegations related to the Company's cybersecurity controls and vulnerability to data breaches, and dismissed in part and denied in part the claims based on allegations related to the Auth0 integration. On November 1, 2023, the plaintiffs filed a motion for class certification, on January 17, 2024, the defendants filed a notice of non-opposition to the motion, and on February 5, 2024, the court granted the motion. On April 16, 2024, the parties notified the court that they had reached an agreement in principle to settle the litigation. On May 28, 2024, the parties entered into a stipulation of settlement, subject to court approval (the "Stipulation"). Under the terms of the Stipulation, in exchange for the release and dismissal with prejudice of all claims against the defendants, the Company has agreed to pay and/or to cause its insurance carriers to pay a total of $60 million, which will be covered through a combination of the Company's Director & Officer ("D&O") insurance and the balance of the Company's $10 million retention on the primary D&O policy. The Stipulation does not constitute an admission of fault or wrongdoing by the Company or its executives, and remains subject to preliminary and final approval by the court and certain other conditions. The Company recognized a liability, which is included in Accrued expenses and other current liabilities on its condensed consolidated balance sheets as of April 30, 2024, in the amount of $60 million which represents the Company's gross obligation to settle claims under the Stipulation. A corresponding receivable was recognized, which is included in Prepaid expenses and other current assets on the Company's condensed consolidated balance sheets, which represents the insurance proceeds the Company is entitled to under its D&O insurance policies that will be paid by the Company's insurers to settle claims on its behalf.

Additionally, two purported shareholders filed derivative lawsuits on behalf of the Company in the United States District Court for the Northern District of California against certain of its current and former executive officers and directors, captioned *O'Dell v. McKinnon et al.*, No. 3:22-cv-07480 (filed Nov. 28, 2022), and *LR Trust v. McKinnon et al*., No. 3:22-cv-08627 (filed Dec. 13, 2022). The lawsuits allege, among other things, that the defendants breached their fiduciary duties by making false or misleading statements or omissions concerning the Company's cybersecurity controls, vulnerability to data breaches, and the Company's integration of Auth0. The lawsuits seek orders permitting the plaintiffs to maintain the actions derivatively on behalf of the Company, awarding unspecified damages allegedly sustained by the Company, awarding restitution from the individual defendants, and requiring the Company to make certain reforms to its corporate governance and controls. On February 22, 2023, the court entered a stipulated order consolidating the derivative actions, appointing co-lead counsel for plaintiffs, and staying the consolidated derivative actions during the pendency of the motion to dismiss in the securities class action lawsuit. The consolidated derivative action is captioned *In re Okta, Inc. Stockholder Derivative Litigation*, No. 3:22-cv-07480. On May 9, 2023, the court entered a stipulated order continuing the stay through the close of discovery in the securities class action lawsuit.

On April 14, 2023, another shareholder filed a substantially similar derivative lawsuit in the United States District Court for the District of Delaware against certain of the Company's current and former executive officers and directors, captioned *Buono v. McKinnon et al.*, No. 1:23-cv-00413. On May 31, 2023, the court entered a stipulated order whereby the defendants agreed to accept service and stay the derivative action through the close of discovery in the securities class action lawsuit.

On January 25, 2024, another shareholder filed a substantially similar derivative lawsuit in the United States District Court for the District of Delaware against certain of the Company's current and former executive officers and directors, captioned *Nasr v. McKinnon, et al.*, No. 1:24-cv-00106. On March 18, 2024, the court entered a stipulated order whereby the defendants agreed to accept service and stay the derivative action through the close of discovery in the securities class action lawsuit.

While the Company and defendants have agreed to a settlement-in-principle in the securities class action litigation, due to the stage of the related derivative lawsuits, the Company is unable to predict the outcome or estimate the amount of loss or range of losses that could potentially result from these lawsuits.

Warranties and Indemnification

To date, the Company has not incurred significant costs and has not accrued any material liabilities in the accompanying condensed consolidated financial statements as a result of its warranty and indemnification obligations.

9. Employee Incentive Plans

The Company's equity incentive plans provide for granting stock options, restricted stock units ("RSUs"), restricted stock awards ("RSAs") to employees, consultants, officers and directors and RSUs with market-based vesting conditions to certain executives. In addition, the Company offers an Employee Stock Purchase Plan ("ESPP") to eligible employees.

Stock-based compensation expense was recorded in the following cost and expense categories in the Company's condensed consolidated statements of operations:

	Three Months Ended April 30,	
	2024	2023
	(dollars in millions)	
Cost of revenue		
Subscription	$ 19	$ 16
Professional services and other	3	4
Research and development	63	68
Sales and marketing	30	38
General and administrative	36	40
Total	$ 151	$ 166

The following table presents total unrecognized stock-based compensation expense related to outstanding equity awards as of April 30, 2024:

	Unrecognized Stock-based Compensation Expense (in millions)	Weighted-average remaining period (in years)
Unvested RSUs	$ 1,082	2.3 years
Unvested RSAs	20	2.0 years
Unvested stock options	10	0.7 years
ESPP	10	0.6 years
Total	$ 1,122	

During the first quarter of fiscal 2025, the Company began funding withholding taxes due upon the vesting of employee RSUs in certain jurisdictions by net share settlement, rather than its previous approach of selling shares of the Company's common stock. The amount of withholding taxes related to net share settlement of employee RSUs is reflected as (i) a reduction to additional paid-in-capital, and (ii) cash outflows for financing activities when the payments are made. The shares withheld by the Company as a result of the net share settlement of RSUs are not considered issued and outstanding, and do not impact the calculation of basic net loss per share attributable to the Class A and Class B common stockholders.

Market-based Restricted Stock Units

In March 2024, the Company granted market-based RSUs to certain members of management. The target number of market-based RSUs granted was 183,595. One-third of these market-based RSUs vest over each of a one-, two- and three-year performance period, each starting on February 1, 2024. The number of shares that can be earned ranges from 0% to 200% of the target number of shares based on the relative performance of the per share price of the Company's common stock as compared to the Nasdaq Composite Index over the respective performance periods and subject to continuous employment through the vesting dates. The $182.15 average grant date fair value per target market-based RSU was determined using a Monte Carlo simulation approach. Compensation expense for awards with market conditions is recognized over the service period using the accelerated attribution method and is not reversed if the market condition is not met.

10. Income Taxes

For the three months ended April 30, 2024, the Company recorded a tax provision of $18 million on a pretax loss of $22 million. The effective tax rate for the three months ended April 30, 2024 was approximately (84.9)%. The effective tax rate differs from the statutory rate primarily as a result of a full valuation allowance against the U.S. deferred tax assets, the tax effect of foreign operations, and U.S. federal and state taxes.

For the three months ended April 30, 2023, the Company recorded a tax provision of $4 million on a pretax loss of $115 million. The effective tax rate for the three months ended April 30, 2023 was approximately (3.6)%. The effective tax rate differs from the statutory rate primarily as a result of a full valuation allowance against U.S. deferred tax assets, the tax effect of foreign operations, and U.S. federal and state taxes.

The Tax Cuts and Jobs Act enacted on December 22, 2017 amended Internal Revenue Code Section 174 to require that specific research and experimental ("R&E") expenditures be capitalized and amortized over five years (U.S. R&E) or fifteen years (non-U.S. R&E) beginning in the Company's fiscal 2023. As a result, the Company has been utilizing some of its federal and state tax attributes and incurring cash taxes due to this provision since fiscal 2023.

11. Net Loss Per Share

The Company computes net loss per share of common stock in conformity with the two-class method required for participating securities. The following table presents the calculation of basic and diluted net loss per share:

	Three Months Ended April 30,			
	2024		2023	
	Class A	Class B	Class A	Class B
	(dollars in millions, shares in thousands, except per share data)			
Numerator:				
Net loss	$ (38)	$ (2)	$ (114)	$ (5)
Denominator:				
Weighted-average shares outstanding, basic and diluted	160,174	7,291	154,023	7,300
Net loss per share, basic and diluted	$ (0.24)	$ (0.24)	$ (0.74)	$ (0.74)

As the Company was in a loss position for all periods presented, basic net loss per share is the same as diluted net loss per share as the inclusion of all potential common shares outstanding would have been anti-dilutive. Potentially dilutive securities that were not included in the diluted per share calculations because they would be anti-dilutive were as follows:

	As of April 30,	
	2024	2023
	(shares in thousands)	
Issued and outstanding stock options	4,826	5,865
Unvested RSUs issued and outstanding	10,811	12,339
Unvested market-based RSUs issued and outstanding	732	502
Unvested RSAs issued and outstanding	342	525
Shares committed under the ESPP	571	864
Shares subject to warrants related to the issuance of the 2023 Notes	—	1,048
Shares related to the 2025 Notes	2,925	3,679
Shares related to the 2026 Notes	2,549	4,820
	22,756	29,642

12. Business Combinations

On February 1, 2024, the Company acquired all of the outstanding equity of Spera Cybersecurity, Inc., an identity security platform provider, and its subsidiary (collectively, “Spera”). The acquisition of Spera is expected to broaden the Company's identity threat detection and security posture management capabilities. The Spera acquisition was accounted for as a business combination.

The acquisition date fair value of purchase consideration transferred for Spera of $58 million was paid in cash. Of this amount, $12 million of consideration was transferred to an escrow fund as partial security for any purchase price adjustments and indemnification obligations, and will be paid to the former Spera stockholders following the 18-month anniversary of the closing date (less any such adjustments or indemnification obligations).

The Company preliminarily recorded $18 million for developed technology intangible assets with an estimated useful life of 5 years and preliminarily recorded $43 million of goodwill which is primarily attributed to the assembled workforce as well as the integration of Spera’s technology and the Company’s technology. None of the goodwill is expected to be deductible for U.S. federal income tax purposes. The Company may continue to adjust the preliminary purchase price allocation after obtaining more information regarding asset valuations, liabilities assumed and revisions of preliminary estimates through the measurement period.

The Company entered into revesting agreements with Spera’s founders pursuant to which 238,795 additional shares of Okta’s Class A common stock was issued as of the closing date which vest over three years. The $20 million fair value of the unvested restricted stock award is attributable to a post-combination service condition and will be accounted for by the Company separately from the business combination as stock-based compensation expense.

Acquisition related expenses incurred were not material. This acquisition did not have a material impact on the Company’s condensed consolidated financial statements; therefore, historical and pro forma disclosures have not been presented.

Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K. Amounts reported in millions are rounded based on the amounts in thousands. As a result, the sum of the components reported in millions may not equal the total amount reported in millions due to rounding. In addition, percentages presented may not add to their respective totals or recalculate due to rounding. In addition to historical financial information, the following discussion contains forward-looking statements that are based upon current plans, expectations and beliefs that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under the section titled “Risk Factors” under Part II, Item 1A of this Quarterly Report on Form 10-Q and Part I, Item 1A of our Annual Report on Form 10-K. Our fiscal year ends January 31.

Overview

Okta is the leading independent identity partner. Our Workforce Identity Cloud and Customer Identity Cloud, powered by Auth0, enable our customers to securely connect the right people to the right technologies and services at the right time. Every day, thousands of organizations and millions of people use Okta to securely access a wide range of cloud, mobile, web and Software-as-a-Service ("SaaS") applications, on-premises servers, application programming interfaces, IT infrastructure providers and services from a multitude of devices. Employees and contractors sign into the Workforce Identity Cloud to seamlessly and securely access the applications they need to do their most important work. Organizations use our platform to collaborate with their partners and to provide their customers with more modern and secure experiences in the cloud and via mobile devices. Developers leverage our Customer Identity Cloud and Workforce Identity Cloud to securely and efficiently embed identity into the software they build, allowing them to innovate and focus on their core missions.

Given the growth trends in the number of applications and cloud adoption and the movement to remote and hybrid workforces, identity is becoming the most critical layer of an organization’s security. As organizations shift from network-based security models to a Zero Trust security model focusing on adaptive and context-aware controls, identity has become the most reliable way to manage user access and protect digital assets. Our approach to identity allows our customers to simplify and efficiently scale their security infrastructures across internal IT systems and external customer facing applications.

As of April 30, 2024, more than 19,100 customers across nearly every industry used Okta to secure and manage identities around the world. Our customers consist of leading global organizations ranging from the largest enterprises, to small and medium-sized businesses, universities, non-profits and government agencies. We also partner with leading application, IT infrastructure and security vendors through our Okta Integration Network. As of April 30, 2024, we had over 7,000 integrations with these cloud, mobile and web applications and IT infrastructure and security vendors.

We employ a SaaS business model, and generate revenue primarily by selling multi-year subscriptions to our cloud-based offerings. We focus on acquiring and retaining our customers and increasing the value we provide to our customers over time, and thus their spending with us through expanding the number of users who access our Workforce Identity Cloud and Customer Identity Cloud and up-selling additional product offerings. We sell our product offerings directly through our field and inside sales teams, as well as indirectly through our network of channel partners, including resellers, system integrators and other distribution partners. Our subscription fees include the use of our service and our technical support and management of our platform. We base subscription fees primarily on the products used and the number of users on our platform. We typically invoice customers in advance in annual installments for subscriptions to our platform.

Our revenue is relatively predictable as a result of our subscription-based business model, which constituted approximately 98% of total revenue for the three months ended April 30, 2024. Future growth may be impacted by longer sales cycles, which we have experienced, which in turn, could result in delays in deals closing, creating near-term headwinds for cash flow, RPO and billings growth as well as potential future impacts on revenue growth and other key metrics on a trailing basis.

Impact of Cybersecurity Incidents

In the past, we have experienced cybersecurity incidents, such as the January 2022 incident involving one of our third-party service providers and the October 2023 incident where a threat actor gained unauthorized access to and stole information from our third-party customer support system, that harmed our reputation and customer relations, adversely impacted our financial results and may create additional liabilities. While we expect the impact of these security incidents to adversely affect our future financial performance, we cannot predict the extent of such impact with certainty. Due to the nature of our business, the announcement of any security incidents, even if not significant, could have these impacts.

Impact of Current Economic Conditions

Worldwide economic uncertainties and negative trends, including financial and credit market fluctuations, uncertainty in the banking sector, rising interest rates, inflation and other impacts from the macroeconomic environment have, and could continue to, adversely affect our business operations or financial results. As we continue to monitor the direct and indirect impacts of these circumstances, the broader implications of these macroeconomic events on our business, results of operations and overall financial position remain uncertain. See the section titled “Risk Factors" included under Part II, Item 1A below for further discussion of the possible impact of these factors and other risks on our business.

Components of Results of Operations

Revenue

Subscription Revenue. Subscription revenue primarily consists of fees for access to and usage of our cloud-based platform and related support. Subscription revenue is driven primarily by the number of customers, the number of users per customer and the products used. We typically invoice customers in advance in annual installments for subscriptions to our platform.

Professional Services and Other. Professional services revenue includes fees from assisting customers in implementing and optimizing the use of our products. These services include application configuration, system integration and training services.

We generally invoice customers as the work is performed for time-and-materials arrangements, and up front for fixed fee arrangements. Professional services revenue is recognized as the services are performed.

Overhead Allocation and Employee Compensation Costs

We allocate shared costs, such as facilities costs (including rent, utilities and depreciation on assets shared by all departments), certain information technology costs and recruiting costs to all departments based on headcount. As such, allocated shared costs are reflected in each of the cost of revenue and operating expense categories. Employee compensation costs reflected in each of the cost of revenue and operating expense categories include salaries, bonuses, compensation related taxes, benefits and stock-based compensation. Additionally included in the sales and marketing expense category are sales commissions and related taxes.

Cost of Revenue and Gross Margin

Cost of Subscription. Cost of subscription primarily consists of expenses related to hosting our services and providing support. These expenses include employee-related costs associated with our cloud-based infrastructure, our security organization and customer support organization, third-party hosting fees, software and maintenance costs, outside services associated with the delivery of our subscription services, amortization expense associated with capitalized internal-use software and acquired developed technology and allocated overhead.

We intend to continue to invest additional resources in our platform infrastructure, our platform support organizations and security posture. We will continue to invest in technology innovation and we anticipate that costs qualifying for capitalization of internal-use software costs and related amortization may fluctuate over time. We expect our investment in technology to expand the capability of our platform enabling us to improve our gross margin over time. The level and timing of investment in these areas could affect our cost of subscription revenue in the future.

Cost of Professional Services and Other. Cost of professional services consists primarily of employee-related costs for our professional services delivery team, travel-related costs, allocated overhead and costs of outside services associated with supplementing our professional services delivery team. The cost of providing professional services has historically been higher than the associated revenue we generate.

Gross Margin. Gross margin is gross profit expressed as a percentage of total revenue. Our gross margin may fluctuate from period to period as a result of the timing and amount of investments to expand our hosting capacity and our continued efforts to build platform support and professional services teams.

Operating Expenses

Research and Development. Research and development expenses consist primarily of employee compensation costs and allocated overhead. We believe that continued investment in our platform is important for our growth.

Sales and Marketing. Sales and marketing expenses consist primarily of employee compensation costs, costs of general marketing and promotional activities, travel-related expenses, amortization expense associated with acquired customer relationships and trade names and allocated overhead. Commissions earned by our sales force that are considered incremental and recoverable costs of obtaining a contract with a customer are deferred and then amortized on a straight-line basis over a period of benefit that we have determined to be generally five years.

General and Administrative. General and administrative expenses consist primarily of employee compensation costs for finance, accounting, legal, information technology and human resources personnel. In addition, general and administrative expenses include acquisition and integration-related costs, non-personnel costs, such as legal, accounting and other professional fees, charitable contributions, and all other supporting corporate expenses, such as information technology, not allocated to other departments.

Restructuring and Other Charges. Restructuring and other charges consist primarily of personnel costs, such as notice period, employee severance payments and termination benefits. In addition, restructuring and other charges include certain lease impairment charges.

Interest and Other, Net

Interest and other, net consists of interest expense, which primarily includes amortization of debt issuance costs and contractual interest expense for our convertible senior notes, interest income from our investment holdings, gains on early extinguishment of debt and gains and losses from our strategic investments.

Provision for Income Taxes

Our provision for income taxes consists of federal and state income taxes in the United States and income taxes in certain foreign jurisdictions where we operate. The difference between our effective tax rate and the federal statutory rate is primarily due to a valuation allowance against U.S. deferred tax assets, the tax effect of foreign operations and state taxes. We evaluate and update our estimated annual effective income tax rate on a quarterly basis based on current and forecasted operating results and enacted tax laws. The timing and mix of actual results compared to forecasted results may impact the timing of recognition of our provision for income taxes.

Results of Operations

The following table sets forth our results of operations for the periods presented:

	Three Months Ended April 30, 2024	Three Months Ended April 30, 2023
	(dollars in millions)	
Revenue:		
Subscription	$ 603	$ 503
Professional services and other	14	15
Total revenue	617	518
Cost of revenue:		
Subscription[1]	130	122
Professional services and other[1]	18	20
Total cost of revenue	148	142
Gross profit	469	376
Operating expenses:		
Research and development[1]	163	163
Sales and marketing[1]	236	256
General and administrative[1]	117	110
Restructuring and other charges	—	7
Total operating expenses	516	536
Operating loss	(47)	(160)
Interest expense	(2)	(3)
Interest income and other, net	27	17
Gain on early extinguishment of debt	—	31
Interest and other, net	25	45
Loss before provision for income taxes	(22)	(115)
Provision for income taxes	18	4
Net loss	$ (40)	$ (119)

(1) Includes stock-based compensation expense as follows:

	Three Months Ended April 30, 2024	Three Months Ended April 30, 2023
	(dollars in millions)	
Cost of subscription revenue	$ 19	$ 16
Cost of professional services and other revenue	3	4
Research and development	63	68
Sales and marketing	30	38
General and administrative	36	40
Total stock-based compensation expense	$ 151	$ 166

The following table sets forth our results of operations for the periods presented as a percentage of our total revenue:

	Three Months Ended April 30,	
	2024	2023
Revenue		
Subscription	98 %	97 %
Professional services and other	2	3
Total revenue	100	100
Cost of revenue		
Subscription	21	24
Professional services and other	3	3
Total cost of revenue	24	27
Gross profit	76	73
Operating expenses		
Research and development	27	32
Sales and marketing	38	50
General and administrative	19	21
Restructuring and other charges	—	1
Total operating expenses	84	104
Operating loss	(8)	(31)
Interest expense	—	(1)
Interest income and other, net	4	3
Gain on early extinguishment of debt	—	7
Interest and other, net	4	9
Loss before provision for income taxes	(4)	(22)
Provision for income taxes	3	1
Net loss	(7)%	(23)%

Comparison of the Three Months Ended April 30, 2024 and 2023

Revenue

	Three Months Ended April 30, 2024	Three Months Ended April 30, 2023	$ Change	% Change
	(dollars in millions)			
Revenue:				
Subscription	$ 603	$ 503	$ 100	20 %
Professional services and other	14	15	(1)	(2)
Total revenue	$ 617	$ 518	$ 99	19
Percentage of revenue:				
Subscription	98 %	97 %		
Professional services and other	2	3		
Total	100 %	100 %		

Three months ended

For the three months ended April 30, 2024, the increase in subscription revenue was primarily due to an increase in users and sales of additional products to existing customers and the addition of new customers. The increase in revenue was attributable to increased revenue from existing customers as reflected in our Dollar-Based Net Retention Rate of 111% as of April 30, 2024 and an increase in the number of customers as detailed in our Key Business Metrics.

For the three months ended April 30, 2024, the decrease in professional services and other revenue was due to lower bookings associated with professional services.

Cost of Revenue, Gross Profit and Gross Margin

	Three Months Ended April 30, 2024	Three Months Ended April 30, 2023	$ Change	% Change
	(dollars in millions)			
Cost of revenue:				
Subscription	$ 130	$ 122	$ 8	6 %
Professional services and other	18	20	(2)	(12)
Total cost of revenue	$ 148	$ 142	$ 6	4
Gross profit	$ 469	$ 376	$ 93	25
Gross margin:				
Subscription	78 %	76 %		
Professional services and other	(24)	(38)		
Total gross margin	76	73		

Three months ended

For the three months ended April 30, 2024, cost of subscription revenue increased primarily due to an increase of $3 million in consulting costs, an increase of $2 million in software costs and an increase of $2 million in third-party hosting costs as we expanded capacity to support our growth.

Our gross margin for subscription revenue improved to 78% from 76% for the three months ended April 30, 2024 compared to the three months ended April 30, 2023. The increase was primarily driven by improved spend efficiency resulting in lower relative cost of subscription revenue.

For the three months ended April 30, 2024, cost of professional services and other revenue decreased slightly primarily due to a decrease in employee compensation costs.

Our gross margin for professional services and other revenue increased to (24)% for the three months ended April 30, 2024 compared to (38)% for the three months ended April 30, 2023 primarily due to a decrease in cost of professional services and other revenue.

Operating Expenses

Research and Development Expenses

	Three Months Ended April 30,			
	2024	2023	$ Change	% Change
	(dollars in millions)			
Research and development	$ 163	$ 163	$ —	— %
Percentage of revenue	27 %	32 %		

Three months ended

For the three months ended April 30, 2024, research and development expenses remained flat. We expect our research and development expenses will increase in absolute dollars as our business grows. The decrease in research and development expenses as a percentage of total revenue was primarily driven by improved spend efficiency.

Sales and Marketing Expenses

	Three Months Ended April 30,			
	2024	2023	$ Change	% Change
	(dollars in millions)			
Sales and marketing	$ 236	$ 256	$ (20)	(8)%
Percentage of revenue	38 %	50 %		

Three months ended

For the three months ended April 30, 2024, sales and marketing expenses decreased primarily due to a decrease in employee compensation costs of $16 million. The decrease in sales and marketing as a percentage of total revenue was primarily driven by improved spend efficiency. We expect our sales and marketing expenses will continue to be our largest operating expense category for the foreseeable future. We expect sales and marketing expenses as a percentage of total revenue to decrease as our total revenue grows.

General and Administrative Expenses

	Three Months Ended April 30, 2024	Three Months Ended April 30, 2023	$ Change	% Change
	(dollars in millions)			
General and administrative	$ 117	$ 110	$ 7	6 %
Percentage of revenue	19 %	21 %		

Three months ended

For the three months ended April 30, 2024, general and administrative expenses increased due to an increase in legal related costs. We expect general and administrative expenses as a percentage of total revenue to decrease as our total revenue grows.

Restructuring and Other Charges

	Three Months Ended April 30, 2024	Three Months Ended April 30, 2023	$ Change	% Change
	(dollars in millions)			
Restructuring and other charges	$ —	$ 7	$ (7)	(100)%
Percentage of revenue	— %	1 %		

Three months ended

For the three months ended April 30, 2024, we did not incur any restructuring and other charges compared to lease impairment charges incurred in the three months ended April 30, 2023.

Interest and Other, Net

	Three Months Ended April 30, 2024	Three Months Ended April 30, 2023	$ Change	% Change
	(dollars in millions)			
Interest expense	$ (2)	$ (3)	$ 1	(45)%
Interest income and other, net	27	17	10	58
Gain on early extinguishment of debt	—	31	(31)	(100)
Interest and other, net	$ 25	$ 45	$ (20)	(44)

Three months ended

For the three months ended April 30, 2024, interest and other, net decreased primarily due to a decrease of $31 million in gains on early extinguishment of debt related to repurchases of the convertible senior notes offset by a $10 million increase in interest income from our short-term investments.

Provision for Income Taxes

	Three Months Ended April 30,			
	2024	2023	$ Change	% Change
	(dollars in millions)			
Provision for income taxes	$ 18	$ 4	$ 14	342 %

Three months ended

For the three months ended April 30, 2024 the provision for income taxes increased by $14 million. This increase is related to the proportion of pre-tax losses recognized in the three months ended April 30, 2024 relative to the forecasted pre-tax loss for the full fiscal year 2025.

The Tax Cuts and Jobs Act of 2017 requires taxpayers to capitalize and amortize research and development expenses over five years for U.S. activities and 15 years for foreign activities, per IRC Section 174, instead of deducting them in the year they were incurred. Starting in fiscal 2023, this change has increased our U.S. federal and state cash taxes. This impact is expected to continue in future years as our capitalized research and development expenses continue to increase.

Key Business Metrics

We review a number of operating and financial metrics, including the following key metrics, to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans, and make strategic decisions.

	As of April 30,	
	2024	2023
	(dollars in millions)	
Number of customers	19,100	18,050
Customers with annual contract value ("ACV") above $100,000	4,550	4,080
Dollar-based net retention rate for the trailing 12 months ended	111 %	117 %
Current remaining performance obligations	$ 1,949	$ 1,701
Remaining performance obligations	$ 3,364	$ 2,942

Total Customers and Number of Customers with Annual Contract Value Above $100,000

As of April 30, 2024, we had over 19,100 customers on our platform. We believe that our ability to increase the number of customers on our platform is an indicator of our market penetration, the growth of our business, and our potential future business opportunities. Increasing awareness of our platform and capabilities, coupled with the mainstream adoption of cloud technology, has expanded the diversity of our customer base to include organizations of all sizes across all industries. The number of customers who have greater than $100,000 in annual contract value ("ACV") with us was 4,550 and 4,080 as of April 30, 2024 and 2023, respectively. We expect this trend to continue as larger enterprises recognize the value of our platform and replace their legacy identity access management infrastructure. We define a customer as a separate and distinct buying entity, such as a company, an educational or government institution, or a distinct business unit of a large company that has an active contract with us or one of our partners to access our platform. For purposes of determining our customer count, we do not include customers that use our platform under self-service arrangements only.

Dollar-Based Net Retention Rate

Part of our ability to generate revenue is dependent upon our ability to maintain our relationships with our customers and to increase their utilization of our platform. We believe we can achieve these goals by focusing on delivering value and functionality that enables us to both retain our existing customers and expand the number of users and products used within an existing customer. We assess our performance in this area by measuring our Dollar-Based Net Retention Rate. Our Dollar-Based Net Retention Rate measures our ability to increase revenue across our existing customer base through expansion of users and products associated with a customer as offset by churn and contraction in the number of users and/or products associated with a customer.

Our Dollar-Based Net Retention Rate is based upon our ACV which is calculated based on the terms of that customer’s contract and represents the total contracted annual subscription amount as of that period end. We calculate our Dollar-Based Net Retention Rate as of a period end by starting with the ACV from all customers as of twelve months prior to such period end (“Prior Period ACV”). We then calculate the ACV from these same customers as of the current period end (“Current Period ACV”). Current Period ACV includes any upsells and is net of contraction or churn over the trailing twelve months but excludes ACV from new customers in the current period. We then divide the Current Period ACV by the Prior Period ACV to arrive at our Dollar-Based Net Retention Rate. Our Dollar-Based Net Retention Rate is inclusive of ACV from self-service customers.

Our strong Dollar-Based Net Retention Rate is primarily attributable to gross retention, an expansion of users and upselling additional products within our existing customers. Larger enterprises often implement a limited initial deployment of our platform before increasing their deployment on a broader scale. The decrease in our Dollar-Based Net Retention Rate as of April 30, 2024, compared to April 30, 2023, was primarily a result of the macroeconomic environment, with ACV from existing customers increasing at a slower rate in the current period.

Remaining Performance Obligations (“RPO”)

RPO represent all future, non-cancelable, contracted revenue under our subscription contracts with customers that has not yet been recognized, inclusive of deferred revenue that has been invoiced and non-cancelable amounts that will be invoiced and recognized as revenue in future periods. Current RPO represents the portion of RPO expected to be recognized during the next 12 months. RPO fluctuates due to a number of factors, including the timing, duration and dollar amount of customer contracts and fluctuations in foreign currency exchange rates.

Liquidity and Capital Resources

As of April 30, 2024, our principal sources of liquidity were cash, cash equivalents and short-term investments totaling $2,320 million, which were held for working capital and general corporate purposes, including potential future acquisition activity. Our cash equivalents and investments consisted primarily of U.S. treasury securities, money market funds, certificates of deposit and corporate debt securities. Historically, we have generated significant operating losses and both positive and negative cash flows from operations as reflected in our accumulated deficit and condensed consolidated statements of cash flows.

Recent macroeconomic events, including rising interest rates, global inflation and bank failures, have led to further economic uncertainty in the global economy. To mitigate risk, our cash and cash equivalents are distributed across large financial institutions. In addition, we have policy restrictions in place on the types of securities that can be purchased as part of our available-for-sale securities portfolio. These restrictions take credit quality, liquidity and diversification into consideration among other criteria. We continue to monitor the impacts of this situation; however, there can be no assurances that conditions in the banking sector and in global financial markets will not worsen and/or adversely affect us.

Effective the first quarter of fiscal 2025, we satisfy employee payroll tax withholding due upon the vesting of share-based compensation awards with our own funds under the "net share settlement" approach. Previously, payroll tax withholding was satisfied via the sale of shares of our common stock in the open market. The net share settlement approach reduces our equity dilution rate by covering such withholding tax obligations from existing cash reserves and impacts future liquidity. The cash outflow to cover these tax obligations is classified as a financing activity in the statement of cash flows.

In September 2019, we completed our private offering of the 2025 Notes due on September 1, 2025 and received aggregate gross proceeds of $1,060 million. The interest rate on the 2025 Notes is fixed at 0.125% per year and is payable semi-annually in arrears on March 1 and September 1 of each year, beginning on March 1, 2020. In connection with the 2025 Notes, we used a portion of the proceeds to enter into capped call transactions ("2025 Capped Calls") with respect to our Class A common stock.

In June 2020, we completed our private offering of the 2026 Notes due on June 15, 2026 and received aggregate gross proceeds of $1,150 million. The interest rate on the 2026 Notes is fixed at 0.375% per year and is payable semi-annually in arrears on June 15 and December 15 of each year, beginning on December 15, 2020. In connection with the 2026 Notes, we used a portion of the proceeds to enter into capped call transactions ("2026 Capped Calls") with respect to our Class A common stock.

In the ordinary course of our business, we may, at any time and from time to time, seek to extinguish our outstanding Notes through cash purchases and/or exchanges for equity, in open-market purchases, privately negotiated transactions or otherwise. Such extinguishments, if any, will be conducted on such terms and at such prices as we may determine, and will depend on our evaluation of the prevailing market conditions, trading price of the Notes, our liquidity requirements, legal and contractual restrictions and other factors. During fiscal 2024, we repurchased $508 million principal amount of the 2025 Notes for $462 million in cash and $542 million principal amount of the 2026 Notes for $475 million in cash, which resulted in an aggregate gain on early extinguishment of debt of $106 million. The 2025 Capped Calls and 2026 Capped Calls remained outstanding notwithstanding such repurchase. We may, however, elect to terminate the 2025 Capped Calls or 2026 Capped Calls, in full or in part. In connection with any such termination, the option counterparties or their respective affiliates are expected to modify their hedge positions, which activity could affect the market price of our Class A common stock or the trading price of the Notes that remain outstanding. See Note 7 to our condensed consolidated financial statements “Convertible Senior Notes, Net” for additional information.

On February 1, 2024, we completed the acquisition of Spera, an identity security platform provider. The acquisition date cash consideration transferred was $58 million. Of this amount, $12 million was transferred to an escrow fund as partial security for any purchase price adjustments and indemnification obligations, and will be paid to the former Spera stockholders following the 18-month anniversary of the closing date (less any such adjustments or indemnification obligations). See Note 12 to our condensed consolidated financial statements "Business Combinations" for additional information.

We believe our existing cash and cash equivalents, our investments and cash provided by sales of our products and services will be sufficient to meet our short-term and long-term projected working capital and capital expenditure needs for the foreseeable future. Our future capital requirements will depend on many factors, including our subscription growth rate, subscription renewal activity, billing frequency, the timing and extent of spending to support development efforts, the expansion of sales and marketing activities, the expansion of our international operations, the introduction of new and enhanced product offerings and the continuing market adoption of our platform. We continue to assess our capital structure and evaluate the merits of deploying available cash. We may in the future enter into arrangements to acquire or invest in complementary businesses, services and technologies, including intellectual property rights. We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations and invest in new technologies this could reduce our ability to compete successfully and harm our results of operations.

A significant majority of our customers pay in advance for annual subscriptions. Therefore, a substantial source of our cash is from our deferred revenue, which is included on our condensed consolidated balance sheet as a liability. Deferred revenue consists of the unearned portion of billed fees for our subscriptions, which is recognized as revenue in accordance with our revenue recognition policy. As of April 30, 2024, we had deferred revenue of $1,410 million, of which $1,391 million was recorded as a current liability and is expected to be recorded as revenue in the next 12 months, provided all other revenue recognition criteria have been met.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

	Three Months Ended April 30,	
	2024	2023
	(dollars in millions)	
Net cash provided by operating activities	$ 219	$ 129
Net cash provided by (used in) investing activities	(194)	59
Net cash used in financing activities	(37)	(326)
Effects of changes in foreign currency exchange rates on cash, cash equivalents and restricted cash	(1)	1
Net decrease in cash, cash equivalents and restricted cash	$ (13)	$ (137)

Operating Activities

Our largest source of operating cash is cash collections from our customers for subscription and professional services. Our primary uses of cash from operating activities are for employee-related expenditures, marketing expenses and third-party hosting costs.

During the three months ended April 30, 2024, cash provided by operating activities was $219 million, an increase of $90 million compared to the three months ended April 30, 2023. The increase was primarily attributable to an increase in cash received from customers and improved spend efficiency, partially offset by an increase in cash paid to vendors.

Investing Activities

During the three months ended April 30, 2024, cash used in investing activities was $194 million compared to cash provided by investing activities of $59 million during the three months ended April 30, 2023. The change was primarily attributable to a decrease in proceeds from maturities and sales of available-for-sale securities and an increase in payments for business acquisitions.

Financing Activities

During the three months ended April 30, 2024, cash used in financing activities was $37 million compared to cash used in financing activities of $326 million during the three months ended April 30, 2023. The change was primarily attributable to payments made for repurchases of the Notes during the three months ended April 30, 2023.

Material Cash Requirements

There were no significant changes outside the ordinary course of business to our material cash requirements disclosed in our Annual Report on Form 10-K for the fiscal year ended January 31, 2024.

Indemnification Agreements

In the ordinary course of business, we enter into agreements of varying scope and terms pursuant to which we agree to indemnify customers, vendors, lessors, business partners and other parties with respect to certain matters, including, but not limited to, losses arising out of the breach of such agreements, services to be provided by us or from intellectual property infringement claims made by third parties. In addition, we have entered into indemnification agreements with our directors and certain officers and employees that will require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or employees. No material demands have been made upon us to provide indemnification under such agreements and there are no claims that we are aware of that could have a material effect on our condensed consolidated balance sheets, condensed consolidated statements of operations and comprehensive loss, or condensed consolidated statements of cash flows.

Critical Accounting Estimates

There have been no significant changes to our critical accounting estimates for the three months ended April 30, 2024 from those discussed in our Annual Report on Form 10-K for the fiscal year ended January 31, 2024.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Foreign Currency Exchange Risk

The functional currencies of our foreign subsidiaries are the respective local currencies. Most of our sales are denominated in U.S. dollars, and therefore our revenue is not currently subject to significant foreign currency risk. Our operating expenses are denominated in the currencies of the countries in which our operations are located, which are primarily in the United States, the United Kingdom, Canada and Australia. Our condensed consolidated results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates and may be adversely affected in the future due to changes in foreign exchange rates. To date, we have not entered into any hedging arrangements with respect to foreign currency risk or other derivative financial instruments. During the three months ended April 30, 2024 and 2023, a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have had a material impact on our condensed consolidated financial statements.

Interest Rate Risk

We had cash, cash equivalents and short-term investments totaling $2,320 million as of April 30, 2024, of which $2,194 million was invested in U.S. treasury securities, money market funds, certificates of deposit and corporate debt securities. Our cash and cash equivalents are held for working capital and general corporate purposes, including potential future acquisition activity. Our short-term investments are made for capital preservation purposes. We do not enter into investments for trading or speculative purposes.

Our cash equivalents and our investment portfolio are subject to market risk due to changes in interest rates. Fixed rate securities may have their market value adversely affected due to a rise in interest rates. Due in part to these factors, our future investment income may fall short of our expectations due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that decline in market value due to changes in interest rates. However, because we classify our short-term investments as “available-for-sale,” no gains are recognized due to changes in interest rates. As losses due to changes in interest rates are generally not considered to be credit related changes, no losses in such securities are recognized due to changes in interest rates unless we intend to sell, it is more likely than not that we will be required to sell, we sell prior to maturity, or we otherwise determine that all or a portion of the decline in fair value are due to credit related factors.

As of April 30, 2024, a hypothetical 10% relative change in interest rates would not have had a material impact on the value of our cash equivalents or investment portfolio. Fluctuations in the value of our cash equivalents and investment portfolio caused by a change in interest rates (gains or losses on the carrying value) are recorded in other comprehensive income (loss), and are realized only if we sell the underlying securities prior to maturity.

Convertible Senior Notes

In September 2019, we issued the 2025 Notes due September 1, 2025 with a principal amount of $1,060 million. Concurrently with the issuance of the 2025 Notes, we entered into separate capped call transactions. The 2025 Capped Calls were completed to reduce the potential dilution from the conversion of the 2025 Notes. As of April 30, 2024, $552 million principal amount of the 2025 Notes remain outstanding.

In June 2020, we issued the 2026 Notes due June 15, 2026 with a principal amount of $1,150 million. Concurrently with the issuance of the 2026 Notes, we entered into separate capped call transactions. The 2026 Capped Calls were completed to reduce the potential dilution from the conversion of the 2026 Notes. As of April 30, 2024, $608 million principal amount of the 2026 Notes remain outstanding.

The 2025 Notes and 2026 Notes have a fixed annual interest rate of 0.125% and 0.375%, respectively; accordingly, we do not have economic interest rate exposure on the Notes. However, the fair value of the Notes is exposed to interest rate risk. Generally, the fair market value of the Notes will increase as interest rates fall and decrease as interest rates rise. In addition, the fair value of the Notes fluctuates when the market price of our common stock fluctuates. The fair value was determined based on the quoted bid price of the Notes in an over-the-counter market on the last trading day of the reporting period. See Note 7 to our condensed consolidated financial statements “Convertible Senior Notes, Net” for additional information. Changes in the interest rate environment upon maturity of this fixed rate debt could have an effect on our future cash flows and earnings, depending on whether the debt is replaced with other fixed rate debt, variable rate debt or equity.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our principal executive officer and principal financial officer have concluded that, as of such date, our disclosure controls and procedures were effective at a reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well-conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

The information set forth under "Legal Matters" in Note 8 to our condensed consolidated financial statements, "Commitments and Contingencies" is incorporated by reference herein.

Item 1A. Risk Factors

A description of the risks and uncertainties associated with our business is set forth below. You should carefully consider the risks and uncertainties described below, as well as the other information in this Quarterly Report on Form 10-Q, including our condensed consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations." The occurrence of any of the events or developments described below, or of additional risks and uncertainties not presently known to us or that we currently deem immaterial, could materially and adversely affect our business, results of operations, financial condition and growth prospects. In such an event, the market price of our Class A common stock could decline, and you could lose all or part of your investment.

Risk Factor Summary

This risk factor summary contains a high-level summary of risks associated with our business. It does not contain all of the information that may be important to you, and you should read this risk factor summary together with the more detailed discussion of risks and uncertainties set forth following this summary. A summary of our risks includes, but is not limited to, the following:

- Adverse general economic, market and industry conditions and reductions in workforce identity and customer identity spending have, in the past, and may, in the future, reduce demand for our products, which could harm our revenue, results of operations and cash flows.
- In the past, we have experienced cybersecurity incidents that allowed unauthorized access to our systems or data or our customers' data, harmed our reputation, created additional liability and adversely impacted our financial results. We and our third-party service providers may experience similar incidents in the future which may also include disabling access to our service.
- We have experienced rapid growth in prior periods, and any failure to effectively manage future growth could harm our business and future prospects.
- Our prior growth rates may not be indicative of our future growth. As our costs increase, we may not be able to generate sufficient revenue to achieve and, if achieved, maintain profitability.
- We have a history of losses, and we expect to incur losses for the foreseeable future.
- If we fail to manage our growth effectively, we may be unable to execute our business plan, maintain high levels of service and customer satisfaction or adequately address competitive challenges.
- We face intense competition, especially from larger, well-established companies, and we may lack sufficient financial or other resources to maintain or improve our competitive position.
- If we are unable to attract new customers, sell additional products to our existing customers or develop new products and enhancements to our products that achieve market acceptance, our revenue growth and profitability will be harmed.
- Our business depends on our customers renewing their subscriptions and purchasing additional licenses or subscriptions from us. Any material decline in our Dollar-Based Net Retention Rate would harm our future results of operations.
- Customer growth has slowed in recent periods and could fall below expectations.
- We may experience quarterly fluctuations in our results of operations due to a number of factors that make our future results difficult to predict and could cause our results of operations to fall below analyst or investor expectations.

- If there are interruptions or performance problems associated with our technology or infrastructure, our existing customers may experience service outages, and our new customers may experience delays in the deployment of our platform.
- We and our third-party service providers have, in the past, failed or been perceived to have failed to fully comply with the privacy or security provisions of our privacy policy, our contracts and/or legal or regulatory requirements, which could result in proceedings, actions or penalties against us. We may experience similar incidents in the future.
- The stock price of our Class A common stock may be volatile or may decline.
- The dual class structure of our common stock has the effect of concentrating voting control with those stockholders who held our capital stock prior to the completion of our IPO, including our directors, executive officers, and their affiliates, who held in the aggregate 40.3% of the voting power of our capital stock as of April 30, 2024. This will limit or preclude your ability to influence corporate matters, including the election of directors, amendments of our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval.
- Servicing our debt may require a significant amount of cash. We may not have sufficient cash flow from our business to pay our indebtedness.
- We depend on our executive officers and other key employees, and the loss of one or more of these employees or an inability to attract and retain other highly skilled employees could harm our business.

Risks Related to Our Business and Industry

Adverse general economic, market and industry conditions and reductions in workforce identity and customer identity spending have, in the past, and may, in the future, reduce demand for our products, which could harm our revenue, results of operations and cash flows.

Our revenue, results of operations and cash flows depend on the overall demand for our products. Concerns about the inflation and interest rate environment, the instability of financial institutions, health epidemics, the systemic impact of a widespread recession (in the United States or internationally), energy costs, geopolitical issues, such as Russia's invasion of Ukraine, or the availability and cost of credit have and could continue to lead to increased market volatility, decreased consumer confidence and diminished growth expectations in the U.S. economy and abroad, which in turn could result in reductions in workforce identity and customer identity spending by our existing and prospective customers. These economic conditions can occur abruptly. Prolonged economic slowdowns may result in customers requesting us to renegotiate existing contracts on less advantageous terms to us than those currently in place or defaulting on payments due on existing contracts or not renewing at the end of the contract term. For example, rising interest rates in the United States have begun to affect businesses across many industries, including ours, by increasing the costs of labor, employee healthcare and other components, which may further constrain our, our customers' and prospective customers' budgets. To the extent there is a sustained general economic downturn, and our platforms and services are perceived by customers or potential customers as costly, or too difficult to deploy or migrate to, our revenue may be disproportionately affected by delays or reductions in spending.

Our customers may merge with other entities who use alternative identity solutions and, during weak economic times, there is an increased risk that one or more of our customers will file for bankruptcy protection, either of which may harm our revenue, profitability and results of operations. We also face risk from international customers that file for bankruptcy protection in foreign jurisdictions, particularly given that the application of foreign bankruptcy laws may be more difficult to predict. In addition, we may determine that the cost of pursuing any claim may outweigh the recovery potential of such claim. As a result, if economic growth in countries where we do business slows or if such countries experience further economic recession, it could harm our business, revenue, results of operations and cash flows.

We have experienced rapid growth in prior periods, and any failure to effectively manage future growth could harm our business and future prospects.

We have experienced rapid growth since our founding in 2009. As we continue efforts to expand our business globally, we have faced new macroeconomic conditions, as well as operational and organizational challenges, that make it difficult to forecast our revenue and evaluate our business and future prospects. We have encountered and will continue to encounter risks and uncertainties that growing companies frequently experience in rapidly changing industries and macroeconomic environments, including the risks and uncertainties described in this document. Additionally, the sales cycle for the evaluation and implementation of our platform, which typically extends for multiple months for enterprise deals, may also cause us to experience a delay between increasing operating expenses and the generation of corresponding revenue, if any. Accordingly, we may be unable to prepare accurate internal financial forecasts or replace anticipated revenue that we do not receive as a result of delays arising from these factors, and our results of operations in future reporting periods may be below the expectations of investors. If we do not address these risks successfully, our results of operations could differ materially from our estimates and forecasts or the expectations of investors, causing our business to suffer and our stock price to decline.

Our prior growth rates may not be indicative of our future growth. As our costs increase, we may not be able to generate sufficient revenue to achieve and, if achieved, maintain profitability.

From fiscal 2022 to fiscal 2023, our revenue grew from $1,300 million to $1,858 million, an increase of 43%, and from fiscal 2023 to fiscal 2024, our revenue grew from $1,858 million to $2,263 million, an increase of 22%. In future periods, we may not be able to sustain revenue growth consistent with recent history, or at all. We believe our revenue growth depends on a number of factors, such as macroeconomic conditions including the inflation and interest rate environment and budget constraints, as well as, but not limited to, our ability to:

- price our platform effectively so that we are able to attract and retain customers without compromising our profitability;
- attract new customers, successfully deploy and implement our platform, upsell or otherwise increase our existing customers' use of our platform, obtain customer renewals and provide our customers with excellent customer support;
- increase our network of channel partners;
- adequately expand our sales force, and maintain or increase our sales force's productivity;
- protect against security breaches of, technical difficulties with, or interruptions to, the delivery and use of our platform and products, and any negative market perception or customer reactions related to, or arising from the disclosure of, such breaches, difficulties or interruptions;
- successfully identify and enter into agreements with suitable acquisition targets, integrate any acquisitions and integrate acquired technologies into our existing products or use them to develop new products;
- successfully introduce new products, enhance existing products and address new use cases;
- introduce our platform to new markets outside of the United States;
- successfully compete against larger companies and new market entrants; and
- increase awareness of our brand on a global basis.

If we are unable to accomplish any of these tasks, our revenue growth will be harmed. We also expect our operating expenses to increase in future periods, and if our revenue growth does not increase to offset these anticipated increases in our operating expenses, our business, financial position and results of operations will be harmed, and we may not be able to achieve or maintain profitability.

We have a history of losses, and we expect to incur losses for the foreseeable future.

We have incurred significant net losses in each year since our inception, including net losses of $848 million, $815 million and $355 million in fiscal 2022, 2023 and 2024, respectively. We expect to continue to incur net losses for the foreseeable future. We expect our operating expenses to significantly increase over the next several years as we hire additional personnel, particularly in sales and marketing, expand and improve the effectiveness of our distribution channels, expand our operations and infrastructure, both domestically and internationally, pursue business combinations and continue to develop our platform. If our revenue does not increase to offset these increases in our operating expenses, we will not be profitable in future periods. While historically, our total revenue has grown, not all components of our total revenue have grown consistently. Further, in future periods, our revenue growth could slow or our revenue could decline for a number of reasons, including slowing demand for our software, increasing competition, any failure to gain or retain channel partners, a decrease in the growth of our overall market, or our failure, for any reason, to continue to capitalize on growth opportunities. As a result, our past financial performance should not be considered indicative of our future performance. Any failure by us to achieve or sustain profitability on a consistent basis could cause the value of our common stock to decline.

If we fail to manage our growth effectively, we may be unable to execute our business plan, maintain high levels of service and customer satisfaction or adequately address competitive challenges.

We have experienced, and may continue to experience, rapid growth and organizational change, which has placed, and may continue to place, significant demands on our management and our operational and financial resources. For example, our headcount has grown from 5,342 employees as of April 30, 2022 to 5,710 employees as of April 30, 2024. In order to manage our growth and better align our organizational structure and resources with our business priorities, we may undertake restructuring plans from time to time. For example, during the first quarter of each of fiscal 2024 and fiscal 2025, we announced separate world-wide restructuring plans intended to reduce operating expenses and improve profitability that involved a reduction of our workforce by approximately 300 and 400 full-time employees, respectively. We have in the past encountered, and may in the future encounter, challenges in the execution of these restructuring efforts, such as adverse impacts on employee morale or attrition beyond the intended reductions, and these challenges could impact our ability to execute on our business initiatives, which could cause our restructuring efforts to not be as effective as anticipated and harm our financial results.

We have also experienced significant growth in the number of customers, users and logins and in the amount of data that our SaaS infrastructure supports. Finally, our organizational structure is becoming more complex as we improve our operational, financial and management controls as well as our reporting systems and procedures. We will require significant capital expenditures and the allocation of valuable management resources to grow and change in these areas without undermining our culture of rapid innovation, teamwork and attention to customer success, which has been central to our growth so far. If we fail to manage our anticipated growth and change in a manner that preserves the key aspects of our corporate culture, the quality of our platform may suffer, which could negatively affect our brand and reputation and harm our ability to retain and attract customers and employees.

We have established international offices in the Americas, Asia-Pacific and Europe, and we plan to continue to expand our international operations in the future. Our expansion has placed, and our expected future growth will continue to place, a significant strain on our managerial, customer operations, research and development, marketing and sales, administrative, financial and other resources. If we are unable to manage our continued growth successfully, our business and results of operations could suffer.

In addition, as we expand our business, it is important that we continue to maintain a high level of customer service and satisfaction. As our customer base continues to grow, we will need to expand our account management, customer service and other personnel, and our network of independent software vendors (“ISVs”), system integrators and other channel partners, to provide personalized account management and customer service. If we are not able to continue to provide high levels of customer service, our reputation, as well as our business, results of operations and financial condition, could be harmed.

We face intense competition, especially from larger, well-established companies, and we may lack sufficient financial or other resources to maintain or improve our competitive position.

The markets for our products are rapidly evolving, highly competitive and subject to shifting customer needs and frequent introductions of new technologies. As the markets in which we operate continue to mature and new technologies and competitors enter such markets, we expect competition to intensify. Our competitor categories include, but are not limited to:

- Authentication providers;
- Access and lifecycle management providers;
- Multi-factor authentication providers;
- Infrastructure-as-a-service providers;
- Other customer identity and access management providers; and
- Solutions developed in-house by our potential customers.

We compete with both cloud-based and on-premise enterprise application software providers. Our competitors vary in size and in the breadth and scope of the products and services offered. However, many of our competitors have substantial competitive advantages such as significantly greater financial, technical, sales and marketing, distribution, customer support or other resources, larger intellectual property portfolios, longer operating histories, greater resources to make strategic acquisitions and greater name recognition than we do. Our principal competitor is Microsoft.

With the continuing merger and acquisition activity in the technology industry, particularly transactions involving security or identity and access management technologies, there is a greater likelihood that we will compete with other large technology companies in the future in both the workforce identity and customer identity markets.

In addition, some of our larger competitors have substantially broader product offerings and leverage their relationships based on other products or incorporate functionality into existing products to gain business in a manner that discourages users from purchasing our products, including through selling at zero or negative margins, product bundling or closed technology platforms. Potential customers may also prefer to purchase from their existing suppliers rather than a new supplier regardless of product performance or features. These larger competitors often have broader product lines and market focus and as a result are not as susceptible to downturns in a particular market. Our competitors may also seek to acquire new offerings or repurpose their existing offerings to provide identity solutions with subscription models. Conditions in our market could change rapidly and significantly as a result of technological advancements, partnering by our competitors or continuing market consolidation. New start-up companies that innovate and large competitors that are making significant investments in research and development may invent similar or superior products and technologies that compete with our products. In addition, some of our competitors may enter into new alliances with each other or may establish or strengthen cooperative relationships with systems integrators, third-party consulting firms or other parties. Any such consolidation, acquisition, alliance or cooperative relationship could lead to pricing pressure and our loss of market share and could result in a competitor with greater financial, technical, marketing, service and other resources, all of which could harm our ability to compete. Furthermore, organizations may be more willing to incrementally add solutions to their existing infrastructure from competitors than to replace their existing infrastructure with our products. These competitive pressures in our market or our failure to compete effectively may result in price reductions, fewer orders, reduced revenue and gross margins, increased net losses, and loss of market share. Any failure to meet and address these factors could harm our business, results of operations and financial condition.

If we are unable to attract new customers, sell additional products to our existing customers or develop new products and enhancements to our products that achieve market acceptance, our revenue growth and profitability will be harmed.

To increase our revenue and achieve and maintain profitability, we must add new customers or sell additional products to our existing customers. Numerous factors, however, may impede our ability to add new customers and sell additional products to our existing customers, including our failure to convert new organizations into paying customers, failure to attract, effectively train, retain and motivate sales and marketing personnel, failure to develop or expand relationships with channel partners, failure to successfully deploy products for new customers and provide quality customer support, failure to ensure the effectiveness of our marketing programs, or any negative market perception stemming from past or future security breaches. In addition, if prospective customers do not perceive our platform to be of sufficiently high value and quality, we will not be able to attract the number and types of new customers that we are seeking.

In addition, our ability to attract new customers and increase revenue from existing customers depends in large part on our ability to enhance and improve our existing products and to introduce compelling new products that reflect the changing nature of our markets. The success of any enhancement to our products depends on several factors, including timely completion and delivery, competitive pricing, adequate quality testing, integration with existing technologies and our platform and overall market acceptance. If we are unable to successfully develop new products, enhance our existing products to meet customer requirements, or otherwise gain market acceptance, our business, results of operations and financial condition would be harmed.

Further, to grow our business, we must convince developers to adopt and build their applications using our APIs and products. We believe that these developer-built applications facilitate greater usage and customization of our products. If these developers stop developing on or supporting our platform, we will lose the benefit of network effects that have contributed to the growth in our number of customers, and our business (including the performance levels of our products), results of operations and financial condition could be harmed.

Our business depends on our customers renewing their subscriptions and purchasing additional licenses or subscriptions from us. Any material decline in our Dollar-Based Net Retention Rate would harm our future results of operations.

To continue to grow our business, it is important that our customers renew their subscriptions when existing contract terms expire and that we expand our commercial relationships with our existing customers. Our customers have no obligation to renew their subscriptions, and our customers may decide not to renew their subscriptions with a similar contract period, at the same prices and terms or with the same or a greater number of users. We have experienced significant growth in the number of users of our platform, but we do not know whether we will continue to achieve similar user growth rates in the future. In the past, some of our customers have elected not to renew their agreements with us, and it is difficult to accurately predict long-term customer retention and expansion rates. Our customer retention and expansion has, in the past, and may, in the future, decline or fluctuate as a result of a number of factors, including our customers' satisfaction with our products, our product support, our prices and pricing plans, particularly in light of macroeconomic conditions, the inflation and interest rate environment and increased costs, the prices of competing software products, reductions in our customers' spending levels, user adoption of our platform, deployment success, negative sentiment stemming from cybersecurity incidents, utilization rates by our customers, new product releases and changes to the packaging of our product offerings. If our customers do not purchase additional subscriptions or renew their subscriptions, renew on less favorable terms or fail to add more users, our revenue may decline or grow less quickly than anticipated, which would harm our future results of operations. Furthermore, if our contractual subscription terms were to shorten it could lead to increased volatility of, and diminished visibility into, future recurring revenue. If our sales of new or recurring subscriptions and software-related support service contracts decline from existing customers, our revenue and revenue growth may decline, and our business will suffer.

Customer growth has slowed in recent periods and could fall below expectations.

We have experienced significant growth in the number of our customers since our founding in 2009, but this growth has slowed in recent periods. As we increase our focus on sales to the world's largest organizations, we do not expect customer growth to continue at the same pace as it has previously. This could cause customer growth to fall below analyst or investor expectations. If we fail to meet or exceed such expectations for this or any other reason, the market price of our Class A common stock could fall substantially, and we could face costly lawsuits, including securities class action suits.

We may experience quarterly fluctuations in our results of operations due to a number of factors that make our future results difficult to predict and could cause our results of operations to fall below analyst or investor expectations.

Our quarterly results of operations fluctuate from quarter to quarter as a result of a number of factors, many of which are outside of our control and may be difficult to predict, including, but not limited to:

- the level of demand for our platform;
- our ability to attract new customers, obtain renewals from existing customers and upsell or otherwise increase our existing customers' use of our platform;
- the timing and success of new product introductions by us or our competitors or any other change in the competitive landscape of our market;
- security breaches of, technical difficulties with, or interruptions to, the delivery and use of our platform and products, and any negative market perception or customer reactions related to, or arising from the disclosure of, such breaches, difficulties or interruptions;
- pricing pressure as a result of competition, the inflation and interest rate environment and increased costs;
- seasonal buying patterns for IT spending;
- the mix of revenue attributable to larger transactions as opposed to smaller transactions, and the associated volatility and timing of our transactions;
- changes in remaining performance obligations ("RPO") due to seasonality, the timing of and compounding effects of renewals, invoice duration, size and timing, new business linearity between quarters and within a

quarter, average contract term or fluctuations due to foreign currency movements, all of which may impact implied growth rates;

- errors in our forecasting of the demand for our products, which could lead to lower revenue, increased costs or both;
- increases in and timing of sales and marketing and other operating expenses that we may incur to grow and expand our operations and to remain competitive;
- our ability to comply with privacy laws and requirements;
- costs related to the acquisition of businesses, talent, technologies or intellectual property, including potentially significant amortization costs and possible write-downs;
- credit or other difficulties confronting our channel partners;
- adverse litigation judgments, settlements of litigation and other disputes or other litigation-related or dispute-related costs;
- the impact of new accounting pronouncements and associated system implementations;
- changes in the legislative or regulatory environment;
- fluctuations in foreign currency exchange rates;
- expenses related to real estate, including our office leases, and other fixed expenses;
- health epidemics, such as COVID-19, influenza and other highly communicable diseases or viruses; and
- general economic conditions in either domestic or international markets, including the inflation and interest rate environment, geopolitical uncertainty and instability.

Any one or more of the factors above may result in significant fluctuations in our results of operations. You should not rely on our past results as an indicator of our future performance.

The variability and unpredictability of our quarterly results of operations or other operating metrics could result in our failure to meet our expectations or those of analysts that cover us or investors with respect to revenue or other metrics for a particular period. If we fail to meet or exceed such expectations for these or any other reasons, the market price of our Class A common stock could fall substantially, and we could face costly lawsuits, including securities class action suits.

Our ability to introduce new products and features is dependent on adequate research and development resources and our ability to successfully complete acquisitions. If we do not adequately fund our research and development efforts or complete acquisitions successfully, we may not be able to compete effectively and our business and results of operations may be harmed.

To remain competitive, we must continue to develop new products, applications and enhancements to our existing platform. This is particularly true as we further expand and diversify our capabilities. Maintaining adequate research and development resources, such as the appropriate personnel and development technology, to meet the demands of the market is essential. If we elect not to or are unable to develop products internally, we may choose to expand into a certain market or strategy via an acquisition for which we could potentially pay too much or fail to successfully integrate into our operations. Further, many of our competitors expend a considerably greater amount of funds on their respective research and development programs, and those that do not may be acquired by larger companies that could allocate greater resources to our competitors' research and development programs. Our failure to maintain adequate research and development resources or to compete effectively with the research and development programs of our competitors would give an advantage to such competitors and may harm our business, results of operations and financial condition.

Even if we maintain adequate research and development resources, we may be unable to monetize newly developed products or features such that we can recoup our research and development expenditures. For example, if we develop a new product feature but our competitors give an equivalent feature away for free, we may need to also include our newly developed feature for free as part of an existing product offering to remain competitive in the marketplace. Such a loss of anticipated revenue to offset our research and development expenditures may harm our business, results of operations and financial condition.

Future acquisitions, investments, partnerships or alliances could be difficult to identify and integrate, divert the attention of management personnel, disrupt our business, dilute stockholder value and harm our results of operations and financial condition.

We have in the past acquired, and we may in the future seek to acquire or invest in, businesses, products, teams or technologies that we believe could complement or expand our current platform, enhance our technical capabilities or otherwise offer growth opportunities. The pursuit of potential acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating and pursuing suitable acquisitions, whether or not they are consummated. In addition, we have limited experience in acquiring other businesses. If we acquire additional businesses, we may not be able to successfully integrate and retain the acquired personnel, integrate the acquired operations and technologies, and adequately test and assimilate the internal control processes of the acquired business in accordance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley Act"), or effectively manage the combined business following the acquisition. For example, we have experienced aspects of such challenges in connection with our May 2021 acquisition of Auth0.

We may not be able to find and identify desirable acquisition targets or we may not be successful in entering into an agreement with any particular target. Acquisitions could also result in dilutive issuances of equity securities, use of our available cash or the incurrence of debt, or in adverse tax consequences or unfavorable accounting treatment, which could harm our results of operations.

In addition, from time to time we invest in private growth stage companies for strategic reasons and to support key business initiatives, and we may not realize a return on these investments. All of our venture investments are subject to a risk of partial or total loss of investment capital.

Acquisitions and strategic transactions involve numerous risks, including:

- delays or reductions in customer purchases for both us and the acquired business;
- disruption of partner and customer relationships;
- potential loss of key employees of the acquired company;
- claims by and disputes with the acquired company's employees, customers, stockholders or third parties;
- unknown liabilities or risks associated with the acquired business, product or technology, such as contractual obligations, potential security vulnerabilities of the acquired company and its products and services, potential intellectual property infringement, costs arising from the acquired company's failure to comply with legal or regulatory requirements and litigation matters;
- acquired technologies or products may not comply with legal or regulatory requirements and may require us to make additional investments to make them compliant;
- acquired technologies or products may not be able to provide the same support service levels that we generally offer with our other products;
- acquired businesses, technologies or products could be viewed unfavorably by our partners, our customers, our stockholders or securities analysts;
- unforeseen integration or other expenses; and
- future impairment of goodwill or other acquired intangible assets.

In addition, if an acquired business fails to meet our expectations, our business, results of operations and financial condition could suffer.

Because our long-term success depends, in part, on our ability to expand the sales of our products to customers located outside of the United States, our business will be susceptible to risks associated with international operations.

We currently have sales personnel outside the United States and maintain offices outside the United States in the Americas, Asia-Pacific and Europe, and we plan to continue to expand our international operations.

Our international revenue was 22% and 21% of our total revenue in fiscal 2023 and fiscal 2024, respectively. Any international expansion efforts that we may undertake may not be successful. In addition, conducting international operations subjects us to new risks, some of which we have not generally faced in the United States. These risks include, among other things:

- macroeconomic conditions, including the inflation and interest rate environment;
- unexpected costs and errors in the localization of our products, including translation into foreign languages and adaptation for local practices and regulatory requirements;
- lack of familiarity and burdens of complying with foreign laws, legal standards, privacy standards, regulatory requirements, tariffs and other barriers;
- laws and business practices favoring local competitors or commercial parties;
- costs and liabilities related to compliance with the numerous and ever-growing landscape of U.S. and international data privacy and cybersecurity regimes, many of which involve disparate standards and enforcement approaches, to address cross-border data flows;
- greater risk that our foreign employees or partners will fail to comply with U.S. and foreign laws;
- practical difficulties of enforcing intellectual property rights in countries with fluctuating laws and standards and reduced or varied protection for intellectual property rights in some countries;
- restrictive governmental actions focusing on cross-border trade, including taxes, trade laws, tariffs, import and export restrictions or quotas, barriers, sanctions, custom duties or other trade restrictions;
- unexpected changes in legal and regulatory requirements;
- difficulties in managing systems integrators and technology partners;
- differing technology standards;
- longer accounts receivable payment cycles and difficulties in collecting accounts receivable;
- difficulties in managing and staffing international operations and differing employer/employee relationships and local employment laws;
- political, economic and social instability, war, terrorist activities or armed conflict, including Russia's invasion of Ukraine;
- global economic uncertainty caused by global political events;
- health epidemics, such as COVID-19, influenza and other highly communicable diseases or viruses;
- fluctuations in exchange rates that may increase the volatility of our foreign-based revenue and expense; and
- potentially adverse tax consequences, including the complexities of foreign value added tax (or other tax) systems and restrictions on the repatriation of earnings.

Additionally, operating in international markets also requires significant management attention and financial resources. We cannot be certain that the investment and additional resources required in establishing operations in other countries will produce desired levels of revenue or profitability.

We have not engaged in currency hedging activities to limit risk of exchange rate fluctuations. Changes in exchange rates affect our costs and earnings, and may also affect the book value of our assets located outside the United States and the amount of our stockholders' equity.

If we invest substantial time and resources to expand our international operations and are unable to do so successfully and in a timely manner, our business and results of operations will suffer.

If we fail to adapt to rapid technological change, our ability to remain competitive could be impaired.

The industry in which we compete is characterized by rapid technological change, frequent introductions of new products and evolving industry standards. Our ability to attract new customers and increase revenue from existing customers will depend in significant part on our ability to anticipate industry standards and trends and continue to enhance existing products or introduce or acquire new products on a timely basis to keep pace with technological developments. The success of any enhancement or new product depends on several factors, including the timely completion and market acceptance of the enhancement or new product. Any new product we develop or acquire might not be introduced in a timely or cost-effective manner and might not achieve the broad market acceptance necessary to generate significant revenue. If any of our competitors implements new technologies before we are able to implement them, those competitors may be able to provide more effective products than ours at lower prices. Any delay or failure in the introduction of new or enhanced products could harm our business, results of operations and financial condition.

Our financial results may fluctuate due to increasing variability in our sales cycles.

We plan our expenses based on certain assumptions about the length and variability of our sales cycle. These assumptions are based upon historical trends for sales cycles and conversion rates associated with our existing customers. As we continue to focus on sales to larger organizations and in light of the current macroeconomic environment, our sales cycles are lengthening in certain circumstances and becoming less predictable, which may harm our financial results. Other factors that may influence the length and variability of our sales cycle include, among other things:

- the need to raise awareness about the uses and benefits of our platform, including our customer identity products;
- the need to allay privacy, regulatory and security concerns;
- the discretionary nature of purchasing and budget cycles and decisions;
- the competitive nature of evaluation and purchasing processes;
- announcements or planned introductions of new products, features or functionality by us or our competitors; and
- often lengthy purchasing approval processes.

Our increasing focus on sales to larger organizations may further increase the variability of our financial results. If we are unable to close one or more of such expected significant transactions in a particular period, or if such an expected transaction is delayed until a subsequent period, our results of operations for that period, and for any future periods in which revenue from such transaction would otherwise have been recognized, may be harmed.

Our growth depends, in part, on the success of our strategic relationships with third parties.

To grow our business, we anticipate that we will continue to depend on relationships with third parties, such as channel partners. Identifying partners, and negotiating and documenting relationships with them, requires significant time and resources. Our competitors may be effective in causing third parties to favor their products or services over subscriptions to our platform. In addition, acquisitions of such partners by our competitors could result in a decrease in the number of our current and potential customers, as these partners may no longer facilitate the adoption of our applications by potential customers. Further, some of our partners are or may become competitive with certain of our products and may elect to no longer integrate with our platform. If we are unsuccessful in establishing or maintaining our relationships with third parties, our ability to compete in the marketplace or to grow our revenue could be impaired, and our results of operations may suffer. Even if we are successful, we cannot ensure that these relationships will result in increased customer usage of our applications or increased revenue.

Failure to effectively develop and expand our marketing and sales capabilities could harm our ability to increase our customer base and achieve broader market acceptance of our products.

Our ability to increase our customer base and achieve broader market acceptance of our products will depend to a significant extent on our ability to expand our marketing and sales operations. We plan to continue expanding our direct sales force and engaging additional channel partners, both domestically and internationally. This expansion will require us to invest significant financial and other resources. Our business will be harmed if our efforts do not generate a corresponding increase in revenue. We may not achieve anticipated revenue growth from expanding our direct sales force if we are unable to hire and develop talented direct sales personnel, if our new direct sales personnel are unable to achieve desired productivity levels in a reasonable period of time or if we are unable to retain our existing direct sales personnel. We also may not achieve anticipated revenue growth from our channel partners if we are unable to attract and retain additional motivated channel partners, if any existing or future channel partners fail to successfully market, resell, implement or support our products for their customers, or if they represent multiple providers and devote greater resources to market, resell, implement and support the products and solutions of these other providers. For example, some of our channel partners also sell or provide integration and administration services for our competitors' products, and if such channel partners devote greater resources to marketing, reselling and supporting competing products, this could harm our business, results of operations and financial condition.

Various factors may cause our product implementations to be delayed, inefficient or otherwise unsuccessful.

Our business depends upon the successful implementation of our products by our customers. Increasingly, we, as well as our customers, rely on our network of partners to deliver implementation services, and there may not be enough qualified implementation partners available to meet customer demand. Various factors may cause implementations to be delayed, inefficient or otherwise unsuccessful. For example, changes in the functional requirements of our customers, delays in timeline, or deviation from recommended best practices may occur during the course of an implementation project. As a result of these and other risks, we or our customers may incur significant implementation costs in connection with the purchase, implementation and enablement of our products. Some customer implementations may take longer than planned or fail to meet our customers' expectations, which may delay our ability to sell additional products or result in customers canceling or failing to renew their subscriptions before our products have been fully implemented. Unsuccessful, lengthy, or costly customer implementation and integration projects could result in claims from customers, harm to our reputation, and opportunities for competitors to displace our products, each of which could have an adverse effect on our business and results of operations.

A portion of our revenues are generated by sales to government entities, which are subject to a number of challenges and risks.

A portion of our sales are to partners that resell our services to government agencies, and we have made, and plan to continue to make, investments to support future sales opportunities in the government sector. The sale of our services to government agencies is tied to budget cycles, and there are government requirements and authorizations that we may be required to meet. Further, we may be subject to audits and investigations regarding our role as a subcontractor in government contracts, and violations could result in penalties and sanctions, including contract termination, refunding or forfeiting payments, fines, and suspension or debarment from future government business. Selling to these entities can be highly competitive, expensive and time consuming, often requiring significant upfront time and expense. Government entities often require contract terms that differ from our standard arrangements and impose additional compliance requirements, require increased attention to pricing practices, or are otherwise time consuming and expensive to satisfy. For example, some of our government entity customers contract with us on the basis of our authorization under FedRAMP, which has, in the past, and may, in the future, require us to undertake additional actions and expense to ensure compliance. Government entities may also have statutory, contractual or other legal rights to terminate contracts with our partners for convenience, for lack of funding or due to a default, and any such termination may adversely impact our future results of operations. If we represent that we meet certain standards, authorizations (such as FedRAMP) or requirements and do not meet them, or if such authorizations are suspended or revoked, we could be subject to increased liability from our customers, investigation by regulators or termination rights. Even if we do meet them, the additional costs associated with providing our service to government entities could harm our margins. Moreover, changes in underlying regulatory requirements could be an impediment to our ability to efficiently provide our service to government customers and to grow or maintain our customer base. Any of these risks related to contracting with government entities could adversely impact our future sales and results of operations, or make them more difficult to predict.

If we fail to enhance our brand cost-effectively, our ability to expand our customer base will be impaired and our business, results of operations and financial condition may suffer.

We believe that developing and maintaining awareness of our brand in a cost-effective manner is critical to achieving widespread acceptance of our existing and future products and is an important element in attracting new customers. Furthermore, we believe that the importance of brand recognition will increase as competition in our market increases. Successful promotion of our brand will depend largely on the effectiveness of our marketing efforts and on our ability to provide reliable and useful products at competitive prices. In the past, our efforts to build our brand have involved significant expenses and have not always attracted a sufficient number of new customers to be cost-effective. Brand promotion activities may not yield increased revenue, and even if they do, any increased revenue may not offset the expenses we incur in building our brand. If we fail to successfully promote and maintain our brand, or incur substantial expenses in an unsuccessful attempt to promote and maintain our brand, we may fail to attract new customers or retain our existing customers to the extent necessary to realize a sufficient return on our brand-building efforts, and our business, results of operations and financial condition could suffer.

We may not set optimal prices for our products.

In the past, we have at times adjusted our prices either for individual customers in connection with long-term agreements or for a particular product. We expect that we may need to change our pricing in future periods and potentially in response to the inflation and interest rate environment and increased costs. Further, as competitors introduce new products that compete with ours or reduce their prices, we may be unable to attract new customers or retain existing customers based on our historical pricing. As we expand internationally, we also must determine the appropriate price to enable us to compete effectively internationally. In addition, if our mix of products sold changes, then we may need to, or choose to, revise our pricing. As a result, we may be required or choose to reduce our prices or change our pricing model, which could harm our business, results of operations and financial condition.

Our failure to raise additional capital or generate cash flows necessary to expand our operations and invest in new technologies in the future could reduce our ability to compete successfully and harm our results of operations.

We may need to raise additional funds, and we may not be able to obtain additional debt or equity financing on favorable terms, if at all. If we raise additional equity or convertible debt financing, our security holders may experience significant dilution of their ownership interests. If we engage in additional debt financing, we may be required to accept terms that restrict our ability to incur additional indebtedness, force us to maintain specified liquidity or other ratios or restrict our ability to pay dividends or make acquisitions. If we need additional capital and cannot raise it on acceptable terms, or at all, we may not be able to, among other things:

- develop and enhance our products;
- continue to expand our product development, sales and marketing organizations;
- hire, train and retain employees;
- respond to competitive pressures or unanticipated working capital requirements; or
- pursue acquisition opportunities.

Our inability to do any of the foregoing could reduce our ability to compete successfully and harm our business, results of operations and financial condition.

We may be subject to liability claims if we breach our contracts and our insurance may be inadequate to cover our losses.

We are subject to numerous obligations in our contracts with our customers and partners. Despite the procedures, systems and internal controls we have implemented to comply with our contracts, we may breach these commitments, whether through a weakness in these procedures, systems and internal controls, negligence or the willful act of an employee or contractor. Our insurance policies, including our errors and omissions insurance, may be inadequate to compensate us for the potentially significant losses that may result from claims arising from breaches of our contracts, disruptions in our service, including those caused by cybersecurity incidents, failures or disruptions to our infrastructure, catastrophic events and disasters or otherwise. In addition, such insurance may not be available to us in the future on economically reasonable terms, or at all. Further, our insurance may not cover all claims made against us and defending a suit, regardless of its merit, could be costly and divert management's attention.

Increased and complex scrutiny of environmental, social and governance ("ESG") matters may require us to incur additional costs or otherwise adversely impact our business.

Increased attention to climate change; diversity, equity and inclusion; and other ESG issues, as well as societal expectations regarding voluntary ESG initiatives and disclosures, may result in increased costs (including but not limited to increased costs related to compliance, stakeholder engagement and contracting), impact our reputation, or otherwise affect our business performance. In addition, organizations that provide information to investors on corporate governance and related matters have developed ratings processes for evaluating companies on ESG matters. Such ratings are used by some investors to inform their investment or voting decisions. Unfavorable ESG ratings could lead to negative investor sentiment toward us and/or our industry, which could have a negative impact on our access to and costs of capital. To the extent ESG matters negatively impact our reputation, we may also not be able to compete as effectively to recruit or retain employees. We may take certain actions, including the establishment of ESG-related goals or targets, to improve our ESG profile and/or respond to stakeholder demand; however, such actions may be costly or be subject to numerous conditions that are outside our control, and we cannot guarantee that such actions will have the desired effect.

Moreover, while we may create and publish voluntary disclosures regarding ESG matters from time to time, many of the statements in those voluntary disclosures are based on hypothetical expectations and assumptions that may or may not be representative of current or actual risks or events or forecasts of expected risks or events, including the costs associated therewith. Such expectations and assumptions are necessarily uncertain and may be prone to error or subject to misinterpretation given the long timelines involved and the lack of an established single approach to identifying, measuring and reporting on many ESG matters. Such disclosures may also be at least partially reliant on third-party information that we have not independently verified or cannot be independently verified. In addition, we expect there will likely be increasing levels of regulation, disclosure-related and otherwise, with respect to ESG matters, and increased regulation will likely lead to increased compliance costs as well as scrutiny that could heighten all of the risks identified in this risk factor. Such ESG matters may also impact our customers, which may adversely impact our business, financial condition, or results of operations.

Risks Related to Intellectual Property, Infrastructure Technology, Data Privacy and Security

If there are interruptions or performance problems associated with our technology or infrastructure, our existing customers may experience service outages, and our new customers may experience delays in the deployment of our platform.

Our continued growth depends, in part, on the ability of our existing and potential customers to access our platform 24 hours a day, seven days a week, without interruption or degradation of performance. We have, in the past, and may, in the future, experience disruptions, data loss or corruption, outages and other performance problems with our infrastructure or service due to a variety of factors. These factors include, for example, infrastructure and functionality changes, human or software errors, capacity constraints, ransomware attacks that encrypt our data and render it inaccessible or security-related incidents. In some instances, we may not be able to identify the cause or causes of these performance problems immediately, and it could take months, or even years, for such problems to become pronounced enough for us to detect or for our customers to detect and inform us. We may not be able to maintain the level of service uptime and performance required by our customers, especially during peak usage times and as our products become more complex and our user traffic increases. If our platform is unavailable or if our customers are unable to access our products or deploy them within a reasonable amount of time, or at all, our business would be harmed. Since our customers rely on our service to access and complete their work, any outage on our platform would impair the ability of our customers to perform their work, which would negatively impact our brand, reputation and customer satisfaction. Moreover, we depend on services from various third parties to maintain our infrastructure and distribute our products via the internet. If a service provider fails to provide sufficient capacity to support our platform or otherwise experiences service outages, including intentionally blocking our internet traffic or all internet traffic, for example at the request of a national government intending to isolate its country's network, such failure could interrupt our customers' access to our service, which could adversely affect their perception of our platform's reliability and our revenues. Any disruptions in these services, including as a result of actions outside of our control, would significantly impact the continued performance of our products. In the future, these services may not be available to us on commercially reasonable terms, or at all. Any loss of the right to use any of these services could result in decreased functionality of our products until equivalent technology is either developed by us or, if available from another provider, is identified, obtained and integrated into our infrastructure. If we do not accurately predict our infrastructure capacity requirements, our customers could experience service shortfalls. We may also be unable to effectively address capacity constraints, upgrade our systems as needed, and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology.

Any of the above circumstances or events may harm our reputation, cause customers to terminate their agreements with us, impair our ability to obtain subscription renewals from existing customers, impair our ability to grow our customer base, result in the expenditure of significant financial, technical and engineering resources, subject us to financial penalties and liabilities under our service level agreements, and otherwise harm our business, results of operations and financial condition.

In the past, we have experienced cybersecurity incidents that allowed unauthorized access to our systems or data or our customers' data, harmed our reputation, created additional liability and adversely impacted our financial results. We and our third-party service providers may experience similar incidents in the future which may also include disabling access to our service.

Increasingly, companies, including Okta, are subject to a wide variety of attacks on their systems and networks on an ongoing basis. In addition to threats from traditional computer "hackers," malicious code (such as malware, viruses, worms and ransomware), employee or contractor theft or misuse, password spraying, phishing and denial-of-service attacks, "bugs," or other vulnerabilities, we and our third-party service providers now also face threats from sophisticated nation-state actors and organized crime groups who engage in attacks (including advanced persistent threat intrusions) that add to the risks to our systems (including those hosted on AWS' or other cloud services providers' systems), internal networks, our customers' systems and the information that we and they store and process. For example, like other companies, we have experienced an increase in cybersecurity attacks and have had to expend increasing amounts of human and financial capital to respond. We expect that these cybersecurity attacks will continue and that the scope and sophistication of these efforts will increase in future periods. Despite significant efforts to create security barriers to such threats, it is virtually impossible for us to entirely mitigate these risks. As a well-known provider of identity and security solutions that form a part of our customers' security software supply chain, we pose an attractive target for such attacks. The security measures we have integrated into our internal systems and platform, which are designed to detect unauthorized activity and prevent or minimize security breaches, may not function as expected and have not in the past been, and may not in the future be, sufficient to protect our internal networks and platform against certain attacks. In addition, techniques used to sabotage or to obtain unauthorized access to networks in which data is stored or through which data is transmitted change frequently, become more complex over time and generally are not recognized until launched against a target. As a result, we and our third-party service providers have in the past been, and may in the future be, unable to anticipate these techniques or implement adequate preventative measures quickly enough to prevent either an electronic intrusion into our systems or services or a compromise of customer data, employee data or other protected information.

Our customers' use of Okta to access business systems and store data concerning, among others, their employees, contractors, partners and customers is essential to their use of our platform, which stores, transmits and processes customers' proprietary information and users' personal data. Okta has experienced and likely will in the future experience attacks targeting such customer data. When such breaches occur, as a result of third-party action, technology limitations, employee or contractor error, malfeasance or otherwise, and if the confidentiality, integrity or availability of our customers' data or systems is disrupted, we could incur significant liability to our customers and to individuals or businesses whose information was being stored by our customers, and our platform may be perceived as less desirable, which could negatively affect our business and damage our reputation. Techniques used to obtain unauthorized access to, or to sabotage, systems change frequently and generally are not recognized until launched against a target. As a result, we, our third-party service providers and our customers have not in the past been, and may not in the future be, able to anticipate these techniques or to implement adequate preventive measures. Further, because we do not control our third-party service providers, or the processing of data by our third-party service providers, we cannot ensure the integrity or security of measures they take to protect customer information and prevent data loss.

In addition, security breaches impacting our platform have in certain cases resulted in and could in the future result in a risk of loss or unauthorized disclosure or theft of this information, or the denial of access to this information, which, in turn, could lead to enforcement actions, litigation, regulatory or governmental audits, investigations and possible liability, and increased requests by individuals regarding their personal data. Security breaches could also damage our relationships with and ability to attract customers and partners, and trigger service availability, indemnification and other contractual obligations. For example, our customers have in the past published public criticisms of our security practices in connection with security incidents, and these postings harm our reputation and brand. Security incidents may also cause us to incur significant investigation, mitigation, remediation, notification and other expenses. Furthermore, as a well-known provider of identity and security solutions that form a part of our customers' security software supply chain, any such breach, including a breach of our customers' systems, could compromise systems secured by our products, creating system disruptions or slowdowns and exploiting security vulnerabilities of our or our customers' systems, and the information stored on our or our customers' systems could be accessed, publicly disclosed, altered, lost or stolen, which could subject us to liability and cause us financial harm. Our disclosures concerning security incidents also may become the subject of litigation, and our disclosures concerning the January 2022 compromise, for example, have become the subject of lawsuits, as discussed in Item 1, "Legal Proceedings" above. While we have taken a number of remediation steps, there is no guarantee that our preventative and mitigation actions with respect to this incident and others like it will fully eliminate the risk of a malicious compromise of our or our customers' systems.

We have experienced cybersecurity incidents resulting from our use of and oversight over third-party service providers and may experience such incidents in the future. These incidents have, in the past, and may, in the future, result from our configuration of such providers' products or from cybersecurity attacks on such providers of the same type that could affect our own systems. While we have implemented security measures and configuration policies that seek to protect data stored with our third-party service providers, such measures and policies have not in the past been, and may not in the future be, sufficient to protect our data or our customers' data. For example, the January 2022 compromise of one of our third-party service providers by a threat actor, even though not material and not a breach of our product or systems, nonetheless was widely publicized and focused attention on the security of our systems and the systems of our third-party service providers. In addition, in October 2023, a threat actor gained unauthorized access to and stole information from inside our customer support system, which was hosted by a third-party service provider.

While we maintain cybersecurity insurance, our insurance may be insufficient to cover all liabilities incurred in these incidents, and any incidents may result in loss of, or increased costs of, our cybersecurity insurance. These breaches, or any perceived breach, of our systems, our customers' systems, our service providers' systems, or other systems or networks secured by our products, whether or not any such breach is due to a vulnerability in our platform, may also undermine confidence in our platform or our industry and result in damage to our reputation and brand, negative publicity, loss of ISVs and other channel partners, customers and sales, increased costs to remedy any problem, costly litigation and other liability. In addition, a breach of the security measures of one of our key ISVs or other channel partners or a security software supply chain attack even many levels removed could result in the exfiltration of confidential corporate information or other data that may provide additional avenues of attack. For example, an exploitation in an open source library that is imported and used in another framework that is used by a software product used by Okta could introduce an avenue of attack into the Okta service. If a high profile security breach occurs with respect to a comparable cloud technology provider, our customers and potential customers may lose trust in the security of the cloud business model generally, which could adversely impact our ability to retain existing customers or attract new ones, potentially causing a negative impact on our business. Any of these negative outcomes could adversely impact market acceptance of our products and could harm our business, results of operations and financial condition.

Third parties have induced and may continue to fraudulently induce employees, contractors, customers or our customers' users into disclosing sensitive information such as user names, passwords or other information or otherwise compromise the security of our applications, internal networks, electronic systems and/or physical facilities in order to gain access to our data or our customers' data, which could result in significant legal and financial exposure, a loss of confidence in the security of our platform, interruptions or malfunctions in our operations, account lockouts, and, ultimately, harm to our future business prospects and revenue. We may be required to expend significant capital and financial resources to protect against such threats or to alleviate problems caused by breaches in security.

We and our third-party service providers have, in the past, failed or been perceived to have failed to fully comply with the privacy or security provisions of our privacy policy, our contracts and/or legal or regulatory requirements, which could result in proceedings, actions or penalties against us. We may experience similar incidents in the future.

Our customers’ storage and use of data concerning, among others, their employees, contractors, partners and customers is essential to their use of our platform. We have implemented various features intended to enable our customers to better comply with applicable privacy and security requirements in their collection and use of data within our online service, but these features have, in the past, not ensured and may, in the future, not ensure our customers’ compliance and may not be effective against all potential privacy or related regulatory concerns.

Many jurisdictions have enacted or are considering enacting or revising privacy and/or data security legislation, including laws and regulations applying to the collection, use, storage, transfer, disclosure and/or processing of personal data. The costs of compliance with, and other burdens imposed by, such laws and regulations that are applicable to the operations of our customers may limit the use and adoption of our service and reduce overall demand for it. These privacy and data security related laws and regulations are evolving and may result in increasing regulatory and public scrutiny and escalating levels of enforcement and sanctions. In addition, we are subject to certain contractual obligations regarding the collection, use, storage, transfer, disclosure and/or processing of personal data. Although we are working to comply with those federal, state and foreign laws and regulations, industry standards, contractual obligations and other legal obligations that apply to us, those laws, regulations, standards and obligations are evolving and may be modified, interpreted and applied in an inconsistent manner from one jurisdiction to another, and may conflict with one another, other requirements or legal obligations, our practices or the features of our platform. In addition, some of our customers contract with us on the basis of our authorization under FedRAMP, which, in addition to state or international regulations, has, in the past, and may, in the future, require us to undertake additional actions and expense to ensure compliance.

We also expect that there will continue to be new proposed laws, regulations, self-regulatory and industry standards concerning privacy, data protection and information security in the United States, China, the European Union, India and other jurisdictions, and we cannot yet determine the impact such future laws, regulations and standards may have on our business. In the United States, the Federal Trade Commission and state regulators enforce a variety of data privacy issues, such as promises made in privacy policies or failures to appropriately protect information about individuals, as unfair or deceptive acts or practices in or affecting commerce in violation of the Federal Trade Commission Act or similar state laws. On the U.S. state level, certain states have adopted new or modified privacy and security laws like California Consumer Privacy Act (“CCPA”), as amended by the California Privacy Rights Act (“CPRA”), which entered into substantial effect on January 1, 2023. The CCPA broadly defines personal information, gives California residents expanded privacy rights and protections, provides for civil penalties for violations and a private right of action for data breaches, and creates a new California Privacy Protection Agency (“CPPA”) to enforce the law. Since the CCPA passed, over a dozen other states have passed or are considering similar legislation, which has created and will continue to create additional compliance obligations and risks. We may expend significant resources attempting to comply with conflicting and overlapping state privacy regulations, and the cost and complexity of complying with such regulations could adversely affect our business or increase our potential liability if we fail to comply. This influx of state privacy regimes indicates a trend toward more stringent privacy legislation in the United States, including a potential federal privacy law, which could also increase our potential liability and adversely affect our business.

Future laws, regulations, standards and other obligations, and changes in the interpretation of existing laws, regulations, standards and other obligations could impair our or our customers’ ability to collect, use or disclose information relating to consumers, which could decrease demand for our applications, restrict our business operations, or increase our costs and impair our ability to maintain and grow our customer base and increase our revenue. Such laws and regulations may require companies to implement privacy and security policies, permit users to exercise various data rights, inform individuals of security breaches that affect their personal data, and, in some cases, obtain individuals’ consent to use personal data for certain purposes. If we, or the third parties on which we rely, fail to comply with federal, state and international data privacy laws and regulations our ability to successfully operate our business and pursue our business goals could be harmed.

With respect to cybersecurity in the United States, we are closely monitoring the development of rules and guidance pursuant to various executive orders that may apply to us, including, for example, pursuant to Executive Order 14028 for “critical software.” While the rules and guidance coming from the Order are still being developed, we could be categorized as a provider of critical software, which may increase our compliance costs and delay or prevent our ability to execute contracts with customers, including in particular with government entities.

Any failure by us to comply with federal, state or foreign laws or regulations, industry standards, contractual obligations or other legal obligations, compliance frameworks that Okta has contractually committed to comply with, or any actual or suspected privacy or security incident, even if unfounded, whether or not resulting in unauthorized access to, or acquisition, release or transfer of personal data or other data, may result in enforcement actions and prosecutions, private litigation, fines, penalties and censure, claims for damages by customers and other affected individuals, or adverse publicity and could cause our customers to lose trust in us, which could have an adverse effect on our reputation and business.

We publicly post our privacy policies and practices concerning our processing, use and disclosure of the personal data provided to us by our website visitors and by our customers, and other individuals with whom we interact. Our publication of our privacy policies and other statements we publish that provide promises and assurances about privacy and security can subject us to potential state and federal action if they are found to be unfair, deceptive or misrepresentative of our practices.

If our platform is perceived to cause, or is otherwise unfavorably associated with, violations of privacy or data security requirements, it may subject us or our customers to public criticism and potential legal liability. Existing and potential privacy laws and regulations concerning privacy and data security and increasing sensitivity of consumers to unauthorized processing of personal data may create negative public reactions to technologies, products and services such as ours. Public concerns regarding personal data processing, privacy and security may cause some of our customers' end users to be less likely to visit their websites or otherwise interact with them. If enough end users choose not to visit our customers' websites or otherwise interact with them, our customers could stop using our platform. This, in turn, may reduce the value of our service, and slow or eliminate the growth of our business, or cause our business to contract.

Privacy is a key issue for Okta and for our customers. We have attained multiple privacy certifications, such as the Asia-Pacific Economic Cooperation Privacy Recognition for Processors, and the European Union Cloud Code of Conduct, Level 2. If we fail to maintain our privacy certifications, or if we fail to seek expansion of their applicability to acquired and/or newly-developed products, we may fail to meet our contractual commitments and we may fail to retain our existing customers or attract new customers, and our business, results of operations and financial condition could suffer.

We may face particular privacy, data security and data protection risks in Europe due to stringent data protection and privacy laws and increased scrutiny over EU-U.S. data transfers.

We are subject to global data protection laws and regulations ("Data Protection Laws") that may impact how we do business with customers. Data Protection Laws, such as those applicable in the European Union, Canada and certain of its provinces, United Kingdom, Asia, and certain states in the United States, have enhanced data protection obligations for companies that handle personal data. Obligations include, for example, expanded disclosures about how personal data is to be used, individual rights in relation to personal data, limitations on retention of personal data, mandatory data breach notification requirements and strict obligations on service providers, and restrictions on online marketing and the use of cookies and tracking technologies.

In addition, increasing numbers of Data Protection Laws restrict transfers of personal data outside of their country of origin to countries deemed to lack adequate privacy protections. These types of transfers must be supported by a transfer mechanism that we may be required to implement, and in many jurisdictions there is significant legal uncertainty around the validity and sufficiency of data transfer mechanisms, and evolving legal and regulatory expectations could impose additional obligations or require expenditure of additional resources to comply with the Data Protection Laws.

Additional jurisdictions continue to adopt data localization laws, which require personal data, or certain subcategories of personal data, to be stored in the jurisdiction of origin. These regulations may deter customers from using cloud-based services such as ours and may inhibit our ability to expand into those markets or prohibit us from continuing to offer services in those markets without significant additional costs.

This regulatory environment applicable to the handling of personal data, and our actions taken in response, may cause us to assume additional liabilities or incur additional costs and could result in our business, results of operations and financial condition being harmed. We and our customers may face a risk of enforcement actions by an increasing number of global data protection authorities in countries where data protection laws apply to us and with which we may not be able to comply. Any such enforcement actions could result in substantial costs and diversion of resources, distract management and technical personnel and negatively affect our business, results of operations and financial condition.

Non-compliance with these obligations can trigger significant fines. For example, in Europe fines for non-compliance can be a maximum of €20 million or 4% of total worldwide annual revenue, whichever is higher. In some U.S. states, fines can be up to $7,500 per violation, multiplied by the number of impacted individuals, and, in addition, some states allow a private right of action. Given the breadth and depth of changes in data protection obligations, complying with these requirements has caused us to expend significant resources, which is likely to continue into the near future as we respond to new interpretations and enforcement actions.

In addition, new laws are continually being passed and new case law and regulatory guidance means Data Protection Laws are constantly evolving. For example, India recently passed a comprehensive data protection law that will apply new privacy rules for the first time in that country. In addition, the number of U.S. states with comprehensive Data Protection Laws significantly increased in 2023. We cannot yet determine the impact that such future laws, regulations and standards may have on our business. Such laws and regulations are often subject to differing interpretations and may be inconsistent among jurisdictions. We may incur substantial expense in complying with any new obligations, we may be required to make significant changes in our business operations and product and services development, and we may not be able to comply with some of these regulatory developments, all of which may adversely affect our revenues and our business overall.

We function as a HIPAA Business Associate for certain of our customers and, as such, are subject to strict privacy and data security requirements. If we fail to comply with any of these requirements, we could be subject to significant liability, all of which can adversely affect our business as well as our ability to attract and retain new customers.

HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act (“HITECH”), and their respective implementing regulations under HIPAA, imposes specified requirements relating to the privacy, security and transmission of individually identifiable health information. Among other things, HITECH makes HIPAA’s security standards directly applicable to “Business Associates”. We function as a Business Associate for certain of our customers that are HIPAA covered entities and service providers, and in that context we are regulated as a Business Associate for the purposes of HIPAA. The HIPAA-covered entities and service providers to which we provide services require us to enter into HIPAA-compliant Business Associate agreements with them. These agreements impose stringent data security obligations on us. If we are unable to comply with our obligations as a HIPAA Business Associate or under the terms of the Business Associate agreements we have executed, we could face substantial civil and even criminal liability as well as contractual liability under the applicable Business Associate agreement, all of which can have an adverse impact on our business and generate negative publicity, which, in turn, can have an adverse impact on our ability to attract and retain new customers. Modifying the already stringent penalty structure that was present under HIPAA prior to HITECH, HITECH created four new tiers of civil monetary penalties and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorneys’ fees and costs associated with pursuing federal civil actions. In addition, many state laws govern the privacy and security of health information in certain circumstances, many of which differ from HIPAA and each other in significant ways and may not have the same effect. Further, certain modifications have been proposed to the HIPAA privacy regulations, and we expect that there will continue to be changes to health information privacy laws in the United States, including HIPAA, and we cannot yet determine the impact such changes to existing laws, regulations and standards may have on our business.

If we fail to maintain our security attestations and certifications, our business, results of operations and financial condition may suffer.

Security is essential for Okta and for our customers. A number of our product offerings have attained multiple certifications, including SOC 2 Type II Attestations, CSA Star Level 2 Attestation, ISO/IEC 27001:2013, ISO/IEC 27017:2015, ISO/IEC 27018:2019, multiple agency FedRAMP Authorities to Operate, Department of Defense Impact Level 4, are in accordance with Health Insurance Portability and Accountability Act ("HIPAA"), and comply with many other international security frameworks. Workforce Identity Cloud also supports FIPS 140-2 encryption requirements. If we fail to maintain our security attestations and certifications, or if we fail to seek expansion of their applicability to acquired and/or newly-developed products, we may fail to meet our contractual commitments and we may fail to retain our existing customers or attract new customers, and our business, results of operations and financial condition could suffer.

We provide service level commitments under our customer contracts. If we fail to meet these contractual commitments, we could be obligated to provide credits for future service, which could harm our business, results of operations and financial condition.

Our customer agreements contain service level commitments, under which we guarantee specified availability of our platform. Any failure of or disruption to our infrastructure could make our platform unavailable to our customers. If we are unable to meet the stated service level commitments to our customers or suffer extended periods of unavailability of our platform, we may be contractually obligated to provide affected customers with service credits for future subscriptions. Our revenue, other results of operations and financial condition could be harmed if we suffer unscheduled downtime that exceeds the service level commitments under our agreements with our customers, and any extended service outages could adversely affect our business and reputation as customers may elect not to renew and we could lose future sales.

If we are unable to ensure that our products integrate or interoperate with a variety of operating systems, platforms, services, software applications devices, mobile phones and other hardware form factors that are developed by others, our platform may become less competitive and our results of operations may be harmed.

The number of people who access the internet through mobile devices and access cloud-based software applications through mobile devices, including smartphones and handheld tablets or laptop computers, has increased significantly in the past several years and is expected to continue to increase. While we have created mobile applications and mobile versions of our products, if these mobile applications and products do not perform well, our business may suffer. We are also dependent on third-party application stores that may prevent us from timely updating our current products or uploading new products. In addition, our products interoperate with servers, mobile devices and software applications predominantly through the use of protocols, many of which are created and maintained by third parties. As a result, we depend on the interoperability of our products with such third-party services, mobile devices and mobile operating systems, as well as cloud-enabled hardware, software, networking, browsers, database technologies and protocols that we do not control. Past and future changes in such technologies that degrade the functionality of our products or give preferential treatment to competitive services have, in the past, and could, in the future, adversely affect adoption and usage of our platform. Any change in our customers' preference for cloud-based identity management or any shift towards on-premises systems could also adversely affect adoption and usage of our platform. Also, we may not be successful in developing or maintaining relationships with key participants in the mobile industry or in developing products that operate effectively with a range of operating systems, networks, devices, browsers, protocols and standards. In addition, we may face different fraud, security and regulatory risks from transactions sent from mobile devices than we do from personal computers. If we are unable to effectively anticipate and manage these risks, or if it is difficult for our customers to access and use our platform, our business, results of operations and financial condition may be harmed.

Our success also depends on the willingness of third-party developers and technology providers to build applications and provide integrations that are complementary to our service. Without the development of these applications and integrations, both current and potential customers may not find our service sufficiently attractive, and our business, results of operations and financial condition could suffer.

Interruptions or delays in the services provided by third-party data centers or internet service providers have, in the past, and could, in the future, impair the delivery of our platform and our business could suffer.

We rely on a number of third-party service providers to operate our services, any of which, if it encounters interruptions or delays, could negatively affect our platform, damage our reputation, expose us to liability, cause us to lose customers or otherwise harm our business. For example, we host our platform using AWS data centers and other third-party cloud infrastructure services and, in the past, service interruptions from such infrastructure providers have caused outages on our platform, which could occur again in the future. All of our products use resources operated by us in these locations. Our operations depend on protecting the virtual cloud infrastructure hosted in AWS or other cloud services by maintaining its configuration, architecture and interconnection specifications, as well as the information stored in these virtual data centers and which third-party internet service providers transmit. Although we have disaster recovery plans that use multiple virtual data center locations, any incident affecting their infrastructure that may be caused by fire, flood, severe storm, earthquake, power loss, telecommunications failures, unauthorized intrusion or malicious action, computer viruses and disabling devices, natural disasters, war, criminal act, military actions, terrorist attacks and other similar events beyond our control could negatively affect our platform. A prolonged third-party service disruption affecting our platform for any of the foregoing reasons could be detrimental to our business. We may also incur significant costs for using alternative equipment or taking other actions in preparation for, or in reaction to, events that damage the third-party services we use.

Our cloud infrastructure services enable us to order and reserve server capacity in varying amounts and sizes distributed across multiple regions. These cloud infrastructure services provide us with computing and storage capacity pursuant to agreements which may be terminated under specified circumstances.

Our platform is accessed by a large number of customers, often at the same time. As we continue to expand the number of our customers and products available to our customers, we may not be able to scale our technology to accommodate the increased capacity requirements, which may result in interruptions or delays in service. In addition, the failure of third-party virtual data centers, third-party internet service providers, or other third-party service providers whose services are integrated with our platform, to meet our capacity requirements could result in interruptions or delays in access to our platform or impede our ability to scale our operations. In the event that our third-party service agreements are terminated, or there is a lapse of service, interruption of internet service provider connectivity or damage to such facilities, we could experience interruptions in access to our platform as well as delays and additional expense in arranging new facilities and services.

Our success depends, in part, on the integrity and scalability of our systems and infrastructures. System interruption and the lack of integration, redundancy and scalability in these systems and infrastructures may harm our business, results of operations and financial condition.

Our success depends, in part, on our ability to maintain the integrity of our systems and infrastructure, including websites, information and related systems. System interruption and a lack of integration and redundancy in our information systems and infrastructure may adversely affect our ability to operate websites, process and fulfill transactions, respond to customer inquiries and generally maintain cost-efficient operations. We may experience occasional system interruptions that make some or all systems or data unavailable or prevent us from efficiently providing access to our platform. We also rely on third-party information technology systems, broadband and other communications systems and service providers in connection with providing access to our platform generally. Any interruptions, outages or delays in our systems and infrastructure, our business and/or third parties, or deterioration in the performance of these systems and infrastructure, could impair our ability to provide access to our platform. Fire, flood, power loss, telecommunications failure, hurricanes, tornadoes, earthquakes, other natural disasters, acts of war or terrorism, unauthorized access or malicious acts, and similar events or disruptions may damage or interrupt computers, broadband or other communications systems and infrastructure at any time. Any of these events could cause system interruption, delays and loss of critical data, and could prevent us from providing access to our platform. While we have backup systems for certain aspects of these operations, disaster recovery planning by its nature cannot be sufficient for all eventualities. In addition, we may not have adequate insurance coverage to compensate for losses from a major interruption. If any of these events were to occur, it could harm our business, results of operations and financial condition.

We rely on software and services from other parties. Defects in or the loss of access to software or services from third parties could increase our costs and adversely affect the quality of our products.

We rely on technologies from third parties to operate critical functions of our business, including cloud infrastructure services and customer relationship management services. Our business would be disrupted if any of the third-party software or services we use, or functional equivalents, were unavailable due to extended outages or interruptions or because they are no longer available on commercially reasonable terms or prices. In each case, we would be required to either seek licenses to software or services from other parties and redesign our products to function with such software or services or develop substitutes ourselves, which would result in increased costs and could result in delays in our product launches and the release of new product offerings until equivalent technology can be identified, licensed or developed, and integrated into our products. Furthermore, we might be forced to limit the features available in our current or future products. These delays and feature limitations, if they occur, could harm our business, results of operations and financial condition.

Real or perceived errors, failures, vulnerabilities or bugs in our products, including deployment complexity, have, in the past and could, in the future, harm our business and results of operations.

Errors, failures, vulnerabilities or bugs have, in the past and may, in the future, occur in our products, especially when updates are deployed or new products are rolled out, maintenance patches are applied, or infrastructure, architectural or configuration changes are made. In the past, such issues have caused outages for our customers. Our platform is often used in connection with large-scale computing environments with different operating systems, system management software, equipment and networking configurations, which may cause errors or failures of products, or other aspects of the computing environment into which our products are deployed. In addition, deployment of our products into complicated, large-scale computing environments may expose errors, failures, vulnerabilities or bugs in our products. Any such errors, failures, vulnerabilities or bugs may not be found until after they are deployed to our customers. Real or perceived errors, failures, vulnerabilities or bugs in our products, or delays in or difficulties implementing our product releases, could result in negative publicity, loss of customer data, loss of or delay in market acceptance of our products, a decrease in customer satisfaction or adoption rates, loss of competitive position, or claims by customers for losses sustained by them, all of which could harm our business, results of operations and financial condition.

Issues in the development and use of artificial intelligence, combined with an uncertain regulatory environment, may result in reputational harm, liability, or other adverse consequences to our business operations.

We use internally developed and third-party developed machine learning and artificial intelligence ("AI") technologies in our offerings and business, and we are making investments in expanding our artificial intelligence capabilities in our products, services, and tools, including ongoing deployment and improvement of existing machine learning and AI technologies, as well as developing new product features using AI technologies, including, for example, generative AI. AI technologies are complex and rapidly evolving, and we face significant competition from other companies as well as an evolving regulatory landscape. For example, in the European Union, the Artificial Intelligence Act will establish obligations for providers of AI based on the type of AI and its potential risks to society. Additionally, in the United States, California recently introduced a law requiring disclosure of chatbot functionality. The introduction of AI technologies into new or existing products may result in new or enhanced governmental or regulatory scrutiny, litigation, confidentiality or security risks, ethical concerns, or other complications that could adversely affect our business, reputation, or financial results. For example, even if permitted by our privacy policy and contractual rights, our use of data in novel AI applications may, in time, expand beyond customer expectations. The intellectual property ownership and license rights, including copyright, surrounding AI technologies has not been fully addressed by courts or national or local laws or regulations, and the use or adoption of third-party AI technologies into our products and services may result in exposure to claims of copyright infringement or other intellectual property misappropriation. Uncertainty around new and emerging AI technologies, such as generative AI, may require additional investment in the development and maintenance of proprietary datasets and machine learning models, development of new approaches and processes to provide attribution or remuneration to creators of training data, and development of appropriate protections and safeguards for handling the use of customer data with AI technologies, which may be costly and could impact our expenses if we decide to expand generative AI into our product offerings. AI technologies, including generative AI, may create content that appears correct but is factually inaccurate or flawed. Our customers or others may rely on or use this flawed content to their detriment, which may expose us to brand or reputational harm, competitive harm, and/or legal liability. The use of AI technologies presents emerging ethical and social issues, and if we enable or offer solutions that draw scrutiny or controversy due to their perceived or actual impact on customers or on society as a whole, we may experience brand or reputational harm, competitive harm, and/or legal liability.

If we fail to adequately protect our proprietary rights, our competitive position could be impaired and we may lose valuable assets, generate less revenue and incur costly litigation to protect our rights.

Our success is dependent, in part, upon protecting our proprietary information and technology. We rely on a combination of patents, copyrights, trademarks, service marks, trade secret laws and contractual restrictions to establish and protect our proprietary rights. However, the steps we take to protect our intellectual property may be inadequate. We will not be able to protect our intellectual property if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property. Despite our precautions, it may be possible for unauthorized third parties to copy our products and use information that we regard as proprietary to create products that compete with ours. Some contract provisions protecting against unauthorized use, copying, transfer and disclosure of our products may be unenforceable under the laws of certain jurisdictions and foreign countries. Further, the laws of some countries do not protect proprietary rights to the same extent as the laws of the United States, and mechanisms for enforcement of intellectual property rights in some foreign countries may be inadequate. To the extent we expand our international activities, our exposure to unauthorized copying and use of our products and proprietary information may increase. Accordingly, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our technology and intellectual property.

We rely in part on trade secrets, proprietary know-how and other confidential information to maintain our competitive position. Although we enter into confidentiality and invention assignment agreements with our employees and consultants and enter into confidentiality agreements with the parties with whom we have strategic relationships and business alliances, no assurance can be given that these agreements will be effective in controlling access to and distribution of our products and proprietary information. Further, these agreements do not prevent our competitors from independently developing technologies that are substantially equivalent or superior to our products.

To protect our intellectual property rights, we may be required to spend significant resources to monitor and protect these rights. Litigation may be necessary in the future to enforce our intellectual property rights and to protect our trade secrets. Such litigation could be costly, time consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Our inability to protect our proprietary technology against unauthorized copying or use, as well as any costly litigation or diversion of our management's attention and resources, could delay further sales or the implementation of our products, impair the functionality of our products, delay introductions of new products, result in our substituting inferior or more costly technologies into our products, or injure our reputation. In addition, we may be required to license additional technology from third parties to develop and market new products, and we cannot ensure that we can license that technology on commercially reasonable terms or at all, and our inability to license this technology could harm our ability to compete.

Our results of operations may be harmed if we are subject to an infringement claim or a claim that results in a significant damage award.

There is considerable patent and other intellectual property development activity in our industry, and we expect that software companies will increasingly be subject to infringement claims as the number of products and competitors grows and the functionality of products in different industry segments overlaps. In addition, the patent portfolios of many of our competitors are larger than ours, and this disparity may increase the risk that our competitors may sue us for patent infringement and may limit our ability to counterclaim for patent infringement or settle through patent cross-licenses. Other companies have claimed in the past, and may claim in the future, that we infringe upon their intellectual property rights. A claim may also be made relating to technology that we acquire or license from third parties. Further, we may be unaware of the intellectual property rights of others that may cover some or all of our technology.

Any claim of infringement, regardless of its merit or our defenses, could:

- require costly litigation to resolve and/or the payment of substantial damages, ongoing royalty payments or other amounts to settle such disputes;
- require significant management time and attention;
- cause us to enter into unfavorable royalty or license agreements, if such arrangements are available at all;
- require us to discontinue the sale of some or all of our products, remove or reduce features or functionality of our products or comply with other unfavorable terms;
- require us to indemnify our customers or third-party service providers; and/or
- require us to expend additional development resources to redesign our products.

Any one or more of the above could harm our business, results of operations and financial condition.

We use open source software in our products, which could negatively affect our ability to offer our products and subject us to litigation or other actions.

We use open source software in our products and expect to use more open source software in the future. From time to time, there have been claims challenging the ownership of open source software against companies that incorporate open source software into their products. However, the terms of many open source licenses have not been interpreted by U.S. courts, and there is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to commercialize our products. As a result, we could be subject to lawsuits by parties claiming ownership of what we believe to be open source software. Litigation could be costly for us to defend, have a negative effect on our results of operations and financial condition or require us to devote additional research and development resources to change our products. In addition, if we were to combine our proprietary software products with open source software in a certain manner, we could, under certain of the open source licenses, be required to release the source code of our proprietary software to the public. This would allow our competitors to create similar products with less development effort and time. If we inappropriately use open source software, or if the license terms for open source software that we use change, we may be required to re-engineer our products, incur additional costs, discontinue the sale of some or all of our products or take other remedial actions. Some open source software may include generative AI software or other software that incorporates or relies on generative AI or other AI technologies. The use of such software may expose us to risks as the intellectual property ownership and license rights, including copyright, of generative AI software and tools, has not been fully interpreted by U.S. courts or been fully addressed by federal or state regulation.

In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or assurance of title or controls on origin of the software. In addition, many of the risks associated with usage of open source software, such as the lack of warranties or assurances of title, cannot be eliminated, and could, if not properly addressed, negatively affect our business. We have established processes to help alleviate these risks, including a review process for screening requests from our development organizations for the use of open source software, but we cannot be sure that all of our use of open source software is in a manner that is consistent with our current policies and procedures, or will not subject us to liability.

Indemnity provisions in various agreements potentially expose us to substantial liability for intellectual property infringement and other losses.

Our agreements with customers and other third parties may include indemnification or other provisions under which we agree to indemnify or otherwise be liable to them for losses suffered or incurred as a result of claims of intellectual property infringement, damages caused by us to property or persons, or other liabilities relating to or arising from the use of our platform or other acts or omissions. The term of these contractual provisions often survives termination or expiration of the applicable agreement. As we continue to grow, the possibility of infringement claims and other intellectual property rights claims against us may increase. For any intellectual property rights indemnification claim against us or our customers, we will incur significant legal expenses and may have to pay damages, settlement fees, license fees and/or stop using technology found to be in violation of the third party’s rights. Large indemnity payments could harm our business, results of operations and financial condition. We may also have to seek a license for the infringing or allegedly infringing technology. Such license may not be available on reasonable terms, if at all, and may significantly increase our operating expenses or may require us to restrict our business activities and limit our ability to deliver certain products. As a result, we may also be required to develop alternative non-infringing technology, which could require significant effort and expense and/or cause us to alter our platform, which could negatively affect our business.

From time to time, customers require us to indemnify or otherwise be liable to them for breach of confidentiality, violation of applicable law or failure to implement adequate security measures with respect to their data stored, transmitted, or accessed using our platform. Although we normally contractually limit our liability with respect to such obligations, the existence of such a dispute may have adverse effects on our customer relationship and reputation and we may still incur substantial liability related to them.

Any assertions by a third party, whether or not successful, with respect to such indemnification obligations could subject us to costly and time-consuming litigation, expensive remediation and licenses, divert management attention and financial resources, harm our relationship with that customer and other current and prospective customers, reduce demand for our platform, and harm our brand, business, results of operations and financial condition.

Risks Related to Legal, Accounting and Tax Matters

Because we generally recognize revenue from our subscriptions and support services over the term of the relevant service period, a decrease in sales during a reporting period may not be immediately reflected in our results of operations for that period.

We generally recognize revenue from subscriptions and related support services revenue ratably over the relevant service period. Net new revenue from new subscriptions, upsells and renewals entered into during a period can generally be expected to generate revenue for the duration of the service period. As a result, most of the revenue we report in each period is derived from the recognition of deferred revenue relating to subscriptions and support services contracts entered into during previous periods. Consequently, a decrease in new or renewed subscriptions in any single reporting period will have a limited impact on our revenue for that period. In addition, our ability to adjust our cost structure in the event of a decrease in new or renewed subscriptions may be limited.

Further, a decline in new subscriptions or renewals in a given period may not be fully reflected in our revenue for that period, but will negatively affect our revenue in future periods. Accordingly, the effect of significant downturns in sales and market acceptance of our services, and changes in our rate of renewals, may not be fully reflected in our results of operations until future periods. Our subscription model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as revenue from new customers is generally recognized over the applicable service period. Additionally, due to the complexity of certain of our customer contracts, the actual revenue recognition treatment required under relevant accounting principles generally accepted in the United States (“GAAP”) will depend on contract-specific terms and may result in greater variability in revenue from period to period.

In addition, a decrease in new subscriptions or renewals in a reporting period may not have an immediate impact on billings for that period.

We may face exposure to foreign currency exchange rate fluctuations.

Today, a vast majority of our customer contracts are denominated in U.S. dollars. Over time, however, an increasing portion of our international customer contracts may be denominated in local currencies. In addition, the majority of our international costs are denominated in local currencies. As a result, fluctuations in the value of the U.S. dollar and foreign currencies may affect our results of operations when translated into U.S. dollars. We do not currently engage in currency hedging activities to limit the risk of exchange rate fluctuations. However, in the future, we may use derivative instruments, such as foreign currency forward and option contracts, to hedge certain exposures to fluctuations in foreign currency exchange rates. The use of such hedging activities may not offset any or more than a portion of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place. Moreover, the use of hedging instruments may introduce additional risks if we are unable to structure effective hedges with such instruments.

We are subject to anti-corruption, anti-bribery and similar laws, and non-compliance with such laws can subject us to criminal penalties or significant fines and harm our business and reputation.

We are subject to anti-corruption and anti-bribery and similar laws, such as the U.S. Foreign Corrupt Practices Act of 1977, as amended (“FCPA”), the U.S. domestic bribery statute contained in 18 U.S.C. § 201, U.S. Travel Act, the USA PATRIOT Act, the U.K. Bribery Act 2010 and other anti-corruption, anti-bribery and anti-money laundering laws in countries in which we conduct activities. Anti-corruption and anti-bribery laws have been enforced aggressively in recent years and are interpreted broadly and prohibit companies and their employees and agents from promising, authorizing, making or offering improper payments or other benefits to government officials and others in the private sector. As we increase our international sales and business, our risks under these laws may increase.

In addition, we use channel partners to sell our products and conduct business on our behalf. We or such partners may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities and under certain circumstances we could be held liable for the corrupt or other illegal activities of such partners, and our employees, representatives, contractors, partners, and agents, even if we do not explicitly authorize such activities. We have implemented an anti-corruption compliance program but cannot ensure that all our employees and agents, as well as those companies to which we outsource certain of our business operations, will not take actions in violation of our policies and applicable law, for which we may be ultimately held responsible.

Noncompliance with the FCPA, other applicable anti-corruption laws, or anti-money laundering laws could subject us to investigations, whistleblower complaints, sanctions, settlements, prosecution, and other enforcement actions within the United States and internationally. Any violation of these laws could result in disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, adverse media coverage, loss of export privileges, severe criminal or civil sanctions, suspension or debarment from U.S. government contracts and other consequences, any of which could have a material adverse effect on our reputation, business, results of operations, and financial condition.

We are subject to governmental export controls and economic sanctions laws that could impair our ability to compete in international markets and subject us to liability if we are not in full compliance with applicable laws.

Our business activities are subject to various restrictions under U.S. export controls and trade and economic sanctions laws, including the U.S. Commerce Department’s Export Administration Regulations and economic and trade sanctions regulations maintained by the U.S. Treasury Department’s Office of Foreign Assets Control. The U.S. export control laws and U.S. economic sanctions laws include prohibitions on the sale or supply of certain products and services to U.S. embargoed or sanctioned countries, governments, persons and entities and also require authorization for the export of encryption items. In addition, various countries regulate the import of certain encryption technology, including through import and licensing requirements, and have enacted laws that could limit our ability to distribute our service or could limit our customers' ability to implement our service in those countries. These laws and regulations may change frequently in response to evolving international issues. If we fail to comply with these laws and regulations, we and certain of our employees could be subject to civil or criminal penalties, including the possible loss of export privileges and monetary penalties. Obtaining the necessary authorizations, including any required license, for a particular transaction may be time-consuming, is not guaranteed, and may result in the delay or loss of sales opportunities. Although we take precautions to prevent our products from being provided in violation of such laws, our products may have been in the past, and could in the future be, provided inadvertently in violation of such laws, despite the precautions we take. This could result in negative consequences to us, including government investigations, penalties and harm to our reputation.

Our international operations may give rise to potentially adverse tax consequences.

We are expanding our international operations and staff to better support our growth into certain international markets. Our corporate structure and associated transfer pricing policies anticipate future growth into certain international markets. The amount of taxes we pay in different jurisdictions may depend on the application of the tax laws of the various jurisdictions, including the United States, to our international business activities, changes in tax rates, new or revised tax laws or interpretations of existing tax laws and policies and our ability to operate our business in a manner consistent with our corporate structure and intercompany arrangements. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for pricing intercompany transactions, which are generally required to be computed on an arm's-length basis pursuant to intercompany arrangements or disagree with our determinations as to the income and expenses attributable to specific jurisdictions. If such a challenge or disagreement were to occur, and our position was not sustained, we could be required to pay additional taxes, interest and penalties, which could result in one-time tax charges, higher effective tax rates, reduced cash flows and lower overall profitability of our operations. Our financial statements could fail to reflect adequate reserves to cover such a contingency.

Changes in tax laws or regulations in the various tax jurisdictions we are subject to that are applied adversely to us or our customers could increase the costs of our products and harm our business.

New income, sales, use, value-added or other transaction level taxes, tax laws, statutes, rules, regulations or ordinances could be enacted at any time. Those enactments could adversely impact our domestic and international business operations, and our business and financial performance. Further, existing tax laws, statutes, rules, regulations or ordinances could be interpreted, changed, modified or applied adversely to us. These events could require us or our customers to pay additional tax amounts on a prospective or retroactive basis, as well as require us or our customers to pay fines and/or penalties and interest for past amounts deemed to be due. If we raise our prices to offset the costs of these additional taxes, existing and potential future customers may elect not to purchase our products in the future. Additionally, new, changed, modified or newly interpreted or applied tax laws could increase our customers' and our compliance, operating and other costs, as well as the costs of our products. Further, these events could decrease the capital we have available to operate our business. Any or all of these events could harm our business and financial performance. For example, various legislative and regulatory actions and proposals, such as in the United States, the Organisation for Economic Co-operation and Development and the EU, have increasingly focused on future tax reform and contemplate changes to long-standing tax principles, which could adversely affect our liquidity and results of operations.

As a multinational organization, we may be subject to taxation in certain jurisdictions around the world with increasingly complex tax laws, the application of which can be uncertain. The amount of taxes we pay in these jurisdictions could increase substantially as a result of changes in the applicable tax principles, including increased tax rates, new tax laws or revised interpretations of existing tax laws and precedents, which could harm our liquidity and results of operations. In addition, the authorities in these jurisdictions could review our tax returns and impose additional tax, interest and penalties, and the authorities could claim that various withholding requirements apply to us or our subsidiaries or assert that benefits of tax treaties are not available to us or our subsidiaries, any of which could harm us and our results of operations.

Our business may be subject to additional obligations to collect and remit sales tax and other taxes, and we may be subject to tax liability for past sales. Any successful action by state, foreign or other authorities to collect additional or past sales tax could harm our business.

State, foreign and local taxing jurisdictions have differing rules and regulations governing sales, use and other indirect taxes (including digital services taxes), and these rules and regulations are subject to varying interpretations that may change over time. In particular, the applicability of certain sales, value-added and digital services taxes to our platform in various jurisdictions is unclear. It is possible that we could face tax audits and that our liability for these taxes could exceed our estimates as tax authorities could still assert that we are obligated to collect additional amounts as taxes from our customers and remit those taxes to those authorities. We could also be subject to audits in states and international jurisdictions for which we have not accrued tax liabilities. A successful assertion that we should be collecting additional sales or other taxes on our service in jurisdictions where we have not historically done so and do not accrue for such taxes could result in substantial tax liabilities for past sales, discourage customers from purchasing our products or otherwise harm our business, results of operations and financial condition.

We file sales tax returns in certain states within the United States as required by law and certain customer contracts for a portion of the products that we provide. We do not collect sales or other similar taxes in other states and many of such states do not apply sales or similar taxes to the vast majority of the products that we provide. However, one or more states or foreign authorities could seek to impose additional sales, use or other tax collection and record-keeping obligations on us or may determine that such taxes should have, but have not been, paid by us. Liability for past taxes may also include substantial interest and penalty charges. Any successful action by state, foreign or other authorities to compel us to collect and remit sales tax, use tax or other taxes, either retroactively, prospectively or both, could harm our business, results of operations and financial condition.

Our ability to use our U.S. net operating loss carry-forwards and certain other tax attributes may be limited.

Under Section 382 of the Internal Revenue Code of 1986, as amended, if a corporation undergoes an "ownership change," generally defined as a greater than 50% change (by value) in its equity ownership over a three-year period, the corporation's ability to use its pre-change net operating loss carry-forwards and other pre-change tax attributes, such as research tax credits and distributed interest deduction carryover, to offset its post-change income may be limited. We have experienced ownership changes in the past and any such ownership change in the future could result in increased future tax liability. In addition, we may experience ownership changes in the future as a result of subsequent shifts in our stock ownership. As a result, if we earn net taxable income, our ability to use our pre-change net operating loss carry-forwards to offset U.S. federal taxable income may be subject to limitations, which could potentially result in increased future tax liability to us.

If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs and significant management oversight. If any of these new or improved controls and systems do not perform as expected, we may experience material weaknesses or significant deficiencies in our controls.

Our controls may become inadequate because of changes in conditions in our business. Further, weaknesses in our disclosure controls and internal control over financial reporting may be discovered in the future. Any failure to maintain effective controls could harm our results of operations or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to maintain effective internal control over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we are required to include in our periodic reports that are filed with the SEC. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our Class A common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the Nasdaq. We are required to provide an annual management report on the effectiveness of our internal control over financial reporting.

Our independent registered public accounting firm is required to formally attest to the effectiveness of our internal control over financial reporting annually. Our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our internal control over financial reporting is documented, designed, or operating. Any failure to maintain effective disclosure controls and internal control over financial reporting could harm our business and results of operations and could cause a decline in the price of our Class A common stock.

Changes in existing financial accounting standards or practices, or taxation rules or practices, may harm our results of operations.

Changes in existing accounting or taxation rules or practices, new accounting pronouncements or taxation rules, or varying interpretations of current accounting pronouncements or taxation practice could harm our results of operations or the manner in which we conduct our business. Further, such changes could potentially affect our reporting of transactions completed before such changes are effective.

GAAP are subject to interpretation by the Financial Accounting Standards Board ("FASB"), the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and could affect the reporting of transactions completed before the announcement of a change. Adoption of such new standards and any difficulties in implementation of changes in accounting principles, including the ability to modify our accounting systems, could cause us to fail to meet our financial reporting obligations, which could result in regulatory discipline and harm investors' confidence in us.

If our estimates or judgments relating to our critical accounting policies prove to be incorrect, our results of operations could be adversely affected.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in our condensed consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations." The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Significant assumptions and estimates used in preparing our condensed consolidated financial statements include, but are not limited to those referenced in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations." Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the trading price of our Class A common stock.

Risks Related to Ownership of Our Class A Common Stock

The stock price of our Class A common stock may be volatile or may decline.

The trading price of our Class A common stock has been, and in the future, may be, subject to substantial volatility and wide fluctuations. For example, from May 1, 2023 through April 30, 2024, the trading price of our Class A common stock has ranged from $65.04 per share to $114.50 per share. The market price of our Class A common stock fluctuates significantly in response to numerous factors, many of which are beyond our control, including, but not limited to:

- overall performance of the equity markets and/or publicly-listed technology companies;
- volatility in the market prices and trading volumes of technology and high-growth companies generally, or those in our industry in particular;
- actual or anticipated fluctuations in our revenue or other financial or operating metrics;
- our ability to meet or exceed forward-looking guidance we have given, our ability to give forward-looking guidance consistent with past practices, and changes to or withdrawal of previous guidance or long-range targets;
- failure of securities analysts to initiate or maintain coverage of us, changes in financial estimates and/or recommendations by any securities analysts who follow our company;
- our failure to meet the estimates or the expectations of securities analysts or investors;
- actions and investment positions taken by institutional and other stockholders, including activist investors;
- recruitment or departure of key personnel;

- security breaches of, technical difficulties with, or interruptions to, the delivery and use of our platform and products, and any negative market perception or customer reactions related to, or arising from the disclosure of, such breaches, difficulties or interruptions;
- the economy as a whole, the inflation and interest rate environment and market and industry conditions;
- rumors and market speculation involving us or other companies in our industry;
- announcements by us or our competitors of significant innovations, acquisitions, strategic partnerships, joint ventures, or capital commitments;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- lawsuits threatened or filed against us;
- other events or factors, including those resulting from war, incidents of terrorism, or responses to these events; and
- sales of additional shares of our Class A common stock by us, our directors, our officers or our stockholders.

In addition, stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. Stock prices of many companies, including technology companies and high-growth, unprofitable companies in particular, have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, stockholders have instituted securities class action litigation following periods of market volatility. Our involvement in securities litigation has, in the past, and could, in the future, subject us to substantial costs, divert resources and the attention of management from our business, and harm our business.

The dual class structure of our common stock has the effect of concentrating voting control with those stockholders who held our capital stock prior to the completion of our IPO, including our directors, executive officers, and their affiliates, who held in the aggregate 40.3% of the voting power of our capital stock as of April 30, 2024. This will limit or preclude your ability to influence corporate matters, including the election of directors, amendments of our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval.

Our Class B common stock has ten votes per share and our Class A common stock has one vote per share. As of April 30, 2024, our directors, executive officers and their affiliates held in the aggregate 40.3% of the voting power of our capital stock, taking into account shares of our common stock subject to options that are currently exercisable or exercisable within 60 days of April 30, 2024 and RSUs that are releasable within 60 days of April 30, 2024. Because of the ten-to-one voting ratio between our Class B and Class A common stock, the holders of our Class B common stock collectively could continue to control nearly a majority of the combined voting power of our common stock and be able to effectively control all matters submitted to our stockholders for approval until April 12, 2027, the date that is the ten-year anniversary of the closing of our IPO. This concentrated control may limit or preclude your ability to influence corporate matters for the foreseeable future, including the election of directors, amendments of our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval. In addition, this may prevent or discourage unsolicited acquisition proposals or offers for our capital stock that you may feel are in your best interest as one of our stockholders.

Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions, such as certain transfers effected for estate planning purposes. The conversion of Class B common stock to Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who have retained their shares.

Sales of a substantial number of shares of our Class A common stock in the public markets, or the perception that sales might occur, could cause the market price of our Class A common stock to decline.

Sales of a substantial number of shares of our Class A common stock into the public market, particularly sales by our directors, executive officers, and principal stockholders, or the perception that these sales might occur, could cause the market price of our Class A common stock to decline.

In addition, we have options outstanding that, if fully exercised, would result in the issuance of shares of our Class A and Class B common stock. We also have RSUs outstanding that, if vested and settled, would result in the issuance of shares of Class A common stock. All of the shares of Class A and Class B common stock issuable upon the exercise of stock options and vesting of RSUs and the shares reserved for future issuance under our equity incentive plans, are registered for public resale under the Securities Act of 1933, as amended ("Securities Act"). Accordingly, these shares will be able to be freely sold in the public market upon issuance, subject to applicable vesting requirements.

Furthermore, a substantial number of shares of our Class A common stock is reserved for issuance upon the exercise of the Notes (as defined below). If we elect to satisfy our conversion obligation on the Notes solely in shares of our Class A common stock upon conversion of the Notes, we will be required to deliver the shares of our Class A common stock, together with cash for any fractional share, on the second business day following the relevant conversion date.

If securities or industry analysts do not publish or cease publishing research, or publish inaccurate or unfavorable research, about our business, the price of our Class A common stock and trading volume could decline.

The trading market for our Class A common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. If industry analysts do not publish or cease publishing research on our company, the trading price for our Class A common stock would be negatively affected. If one or more of the analysts who cover us downgrade our Class A common stock or publish inaccurate or unfavorable research about our business, our Class A common stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us on a regular basis, demand for our Class A common stock could decrease, which might cause our Class A common stock price and trading volume to decline.

We do not intend to pay dividends for the foreseeable future.

We have never declared or paid any cash dividends on our common stock and do not intend to pay any cash dividends in the foreseeable future. We anticipate that we will retain all of our future earnings for use in the operation of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of the board of directors of the company (our "board of directors"). Accordingly, investors must rely on sales of their Class A common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

Provisions in our charter documents and under Delaware law could make an acquisition of our company more difficult, limit attempts by our stockholders to replace or remove our current board of directors, and limit the market price of our Class A common stock.

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws may have the effect of delaying or preventing a change of control or changes in our management. Our amended and restated certificate of incorporation and amended and restated bylaws include provisions that:

- provide that our board of directors is classified into three classes of directors with staggered three-year terms;
- permit our board of directors to establish the number of directors and fill any vacancies and newly-created directorships;
- require super-majority voting to amend some provisions in our amended and restated certificate of incorporation and amended and restated bylaws;
- authorize the issuance of "blank check" preferred stock that our board of directors could use to implement a stockholder rights plan;

- provide that only the Chairperson of our board of directors, our Chief Executive Officer, or a majority of our board of directors are authorized to call a special meeting of stockholders;
- provide for a dual class common stock structure in which holders of our Class B common stock have the ability to effectively control the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the outstanding shares of our Class A and Class B common stock, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- provide that our board of directors is expressly authorized to make, alter or repeal our bylaws; and
- advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

Moreover, Section 203 of the Delaware General Corporation Law may discourage, delay, or prevent a change in control of our company. Section 203 imposes certain restrictions on mergers, business combinations, and other transactions between us and holders of 15% or more of our common stock.

Our amended and restated bylaws designate a state or federal court located within the State of Delaware as the exclusive forum for certain litigation that may be initiated by our stockholders, which could limit stockholders' ability to obtain a favorable judicial forum for disputes with us.

Our amended and restated bylaws provide that the Court of Chancery of the State of Delaware will be the exclusive forum for:

- any derivative action or proceeding brought on our behalf;
- any action asserting a breach of fiduciary duty;
- any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our amended and restated certificate of incorporation, or our amended and restated bylaws; or
- any action asserting a claim against us that is governed by the internal affairs doctrine.

This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, or other employees, which may discourage lawsuits with respect to such claims. Alternatively, if a court were to find the choice of forum provision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, results of operations and financial condition.

Risks Related to our Outstanding Convertible Notes

Servicing our debt may require a significant amount of cash. We may not have sufficient cash flow from our business to pay our indebtedness.

We have issued convertible notes due in 2025 ("2025 Notes") and 2026 ("2026 Notes" and together with the 2025 Notes, the "Notes"). Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including the Notes, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional debt financing or equity capital on terms that may be onerous or highly dilutive. Our ability to refinance or raise any future indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations. In addition, any of our future debt agreements may contain restrictive covenants that may prohibit us from adopting any of these alternatives. Our failure to comply with these covenants could result in an event of default which, if not cured or waived, could result in the acceleration of our debt.

We may not have the ability to raise the funds necessary for cash settlement upon conversion of the Notes or to repurchase the Notes for cash upon a fundamental change, and our future debt may contain limitations on our ability to pay cash upon conversion of the Notes or to repurchase the Notes.

Holders of the Notes have the right to require us to repurchase their Notes upon the occurrence of a fundamental change (as defined in the indentures governing their respective Notes) at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any. Upon conversion of the Notes, unless we elect to deliver solely shares of our Class A common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the Notes being converted. We may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of Notes surrendered or Notes being converted. In addition, our ability to repurchase the Notes or to pay cash upon conversions of the Notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to repurchase Notes at a time when the repurchase is required by the indenture governing such notes or to pay any cash payable on future conversions of the Notes as required by such indenture would constitute a default under such indenture. A default under the indenture governing the Notes or the fundamental change itself could also lead to a default under agreements governing our future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the Notes or make cash payments upon conversions.

In addition, our indebtedness, combined with our other financial obligations and contractual commitments, could have other important consequences. For example, it could:

- make us more vulnerable to adverse changes in general U.S. and worldwide economic, industry and competitive conditions and adverse changes in government regulation;
- limit our flexibility in planning for, or reacting to, changes in our business and our industry;
- place us at a disadvantage compared to our competitors who have less debt;
- limit our ability to borrow additional amounts to fund acquisitions, for working capital and for other general corporate purposes; and
- make an acquisition of our company less attractive or more difficult.

Any of these factors could harm our business, results of operations and financial condition. In addition, if we incur additional indebtedness, the risks related to our business and our ability to service or repay our indebtedness would increase.

The conversion features of the Notes, if triggered, may adversely affect our financial condition and results of operations.

In the event the conditional conversion features of the 2025 Notes and the 2026 Notes are triggered, holders of the Notes will be entitled to convert the Notes, as applicable, at any time during specified periods at their option. If one or more holders elect to convert their Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our Class A common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. The conditional conversion features of the 2025 Notes were triggered as of January 31, 2021 and the 2025 Notes were convertible at the option of the holders between February 1, 2021 and April 30, 2021; however, as of April 30, 2024, the conditions allowing holders of the 2025 Notes to convert were not met. From the date of issuance through April 30, 2024, the conditions allowing holders of the 2026 Notes to convert were not met.

In addition, even if holders do not elect to convert their Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital and could limit our ability to raise future capital.

Transactions relating to our Notes may affect the value of our Class A common stock.

The conversion of some or all of the Notes would dilute the ownership interests of existing stockholders to the extent we satisfy our conversion obligation by delivering shares of our Class A common stock upon any conversion of such Notes. Our 2025 Notes and 2026 Notes may become in the future convertible at the option of their holders under certain circumstances. If holders of our Notes elect to convert their notes, we may settle our conversion obligation by delivering to them a significant number of shares of our Class A common stock, which would cause dilution to our existing stockholders. We have in the past, and may in the future, engage in exchanges, repurchase, or induce conversions of the Notes. Holders of the Notes that participate in any of these exchanges, repurchases, or induced conversions may enter into or unwind various derivatives with respect to our Class A common stock or sell shares of our Class A common stock in the open market to hedge their exposure in connection with these transactions. These activities could decrease (or reduce the size of any increase in) the market price of our Class A common stock or the Notes, or dilute the ownership interests of our stockholders. In addition, the market price of our Class A common stock is likely to be affected by short sales of our Class A common stock or the entry into or unwind of economically equivalent derivative transactions with respect to our Class A common stock by investors that do not participate in the exchange transactions and by the hedging activity of the counterparties to our capped call transactions ("Capped Calls") or their respective affiliates.

In addition, in connection with the issuance of the 2025 Notes and 2026 Notes, we entered into Capped Calls with certain financial institutions (the “Option Counterparties”). The Capped Calls are generally expected to reduce potential dilution to our Class A common stock upon any conversion or settlement of the 2025 Notes and 2026 Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted 2025 Notes and 2026 Notes, as the case may be, with such reduction and/or offset subject to a cap. If we unwind the Capped Calls in connection with Note repurchases or otherwise, we will lose the anti-dilutive impact of any unwound Capped Calls.

From time to time, the Option Counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivative transactions with respect to our Class A common stock and/or purchasing or selling our Class A common stock or other securities of ours in secondary market transactions prior to the maturity of the Notes. This activity could cause a decrease in the market price of our Class A common stock.

General Risk Factors

We depend on our executive officers and other key employees, and the loss of one or more of these employees or an inability to attract and retain other highly skilled employees could harm our business.

Our success depends largely upon the continued services of our executive officers and other key employees. We rely on our leadership team in the areas of research and development, operations, security, marketing, sales, customer support, general and administrative functions, and on individual contributors in our research and development and operations functions. From time to time, there may be changes in our executive management team resulting from the hiring or departure of executives. For example, our former Chief Operating Officer did not return as an employee following his recent sabbatical, though he is continuing to serve as a director and as Vice Chairman of our board of directors. Such changes in our executive management team may be disruptive to our business. We do not have employment agreements with our executive officers or other key personnel that require them to continue to work for us for any specified period and they could terminate their employment with us at any time. The loss of one or more of our executive officers or key employees, and any failure to have in place and execute an effective succession plan for key executives, could harm our business. Changes in our executive management team may also cause disruptions in, and harm to, our business.

In addition, to execute our growth plan, we must attract and retain highly qualified personnel. Competition for these personnel in the San Francisco Bay Area, where our headquarters is located, and in other locations where we maintain offices, is intense, especially for engineers experienced in designing and developing software and SaaS applications and experienced sales professionals. We have from time to time experienced, and we expect to continue to experience, difficulty in hiring and retaining employees with appropriate qualifications, and may not be able to fill positions in the desired regions, or at all. Our efforts to attract new personnel may be compounded by intensified restriction on travel, changes to immigration policy or the availability of work visas. Many of the companies with which we compete for experienced personnel have greater resources than we have. If we hire employees from competitors or other companies, their former employers may attempt to assert that these employees or we have breached their legal obligations, resulting in a diversion of our time and resources. In addition, job candidates and existing employees often consider the value of the equity awards they receive in connection with their employment. If the perceived value of our equity awards declines, it may harm our ability to recruit and retain highly skilled employees. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and future growth prospects could be harmed.

Catastrophic events may disrupt our business.

Natural disasters or other catastrophic events may cause damage or disruption to our operations, international commerce and the global economy, and thus could harm our business. We have a large employee presence in San Francisco, California and the west coast of the United States contains active earthquake and wildfire zones which have the potential to disrupt our business. For example, in the fall of 2019 and 2020, PG&E shut off power to certain cities in the San Francisco Bay Area in order to reduce the risk of wildfires and this resulted in many of our employees being unable to work remotely. In the event of a major earthquake, hurricane or catastrophic event such as fire, power loss, telecommunications failure, vandalism, cyber-attack, war, terrorist attack or health epidemic, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in our application development, lengthy interruptions in our products, breaches of data security and loss of critical data, all of which could harm our business, results of operations and financial condition. In addition, the insurance we maintain may be insufficient to cover our losses resulting from disasters, cyber-attacks or other business interruptions, and any incidents may result in loss of, or increased costs of, such insurance.

Item 5. Other Information

Rule 10b5-1 Trading Arrangements

On March 6, 2024, J. Frederic Kerrest, Vice Chairperson of our board of directors, adopted a Rule 10b5-1 trading arrangement (the “Kerrest 10b5-1 Plan”) that is intended to satisfy the affirmative defense of Rule 10b5-1(c) of the Exchange Act (“Rule 10b5-1(c)”). The Kerrest 10b5-1 Plan provides for the sale of up to 252,349 shares of our Class A common stock, plus an indeterminable number of shares acquired upon the future vesting of RSUs, commencing on June 10, 2024 and continuing until all shares are sold or until December 31, 2024, whichever occurs first.

On April 11, 2024, Larissa Schwartz, Chief Legal Officer and Corporate Secretary of the Company, adopted a Rule 10b5-1 trading arrangement (the “Schwartz 10b5-1 Plan”) that is intended to satisfy the affirmative defense of Rule 10b5-1(c). The Schwartz 10b5-1 Plan provides for the sale of up to 6,902 shares of our Class A common stock, plus an indeterminable number of shares acquired upon the future vesting of RSUs, commencing on July 16, 2024 and continuing until all shares are sold or until November 5, 2024, whichever occurs first.

On April 15, 2024, Todd McKinnon, our Chief Executive Officer and Chairperson of our board of directors, adopted a Rule 10b5-1 trading arrangement (the "McKinnon 10b5-1 Plan") that is intended to satisfy the affirmative defense of Rule 10b5-1(c) of the Exchange Act. The McKinnon 10b5-1 Plan provides for the sale of up to 1,162,054 shares of our Class A common stock, plus an indeterminable number of shares acquired upon the future vesting of RSUs, commencing on July 19, 2024 and continuing until all shares are sold or until March 31, 2025, whichever occurs first. The McKinnon 10b5-1 Plan was established to raise funds to cover the aggregate exercise price and taxes associated with the planned exercise by Mr. McKinnon of his remaining outstanding Class B stock options not covered by the McKinnon 10b5-1 Plan that expire between August 2025 and July 2026. Mr. McKinnon currently intends to hold the shares of our Class B common stock that he will receive upon the exercise of his remaining outstanding Class B stock options, net of the shares sold under the McKinnon 10b5-1 Plan.

Item 6. Exhibits

We have filed the exhibits listed on the accompanying Exhibit Index, which is incorporated herein by reference.

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference from Form
3.1	Amended and Restated Certificate of Incorporation.	Exhibit 3.2 to Form S-1 filed on March 13, 2017
3.2	Amended and Restated Bylaws.	Exhibit 3.4 to Form S-1 filed on March 13, 2017
10.1#	Okta Fiscal Year 2025 Sales Incentive Compensation Plan Terms and Conditions.	Filed herewith
31.1	Certification of the Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith
31.2	Certification of the Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith
32.1*	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its IBRL tags are embedded within the Inline XBRL document.	Filed herewith
101.SCH	Inline XBRL Taxonomy Extension Schema Document	Filed herewith
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	Filed herewith
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.*)	Filed herewith

# Indicates management contract or compensatory plan, contract or agreement.

* The certifications furnished in Exhibit 32.1 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Okta, Inc.

May 29, 2024	/s/ Brett Tighe
	Brett Tighe
	Chief Financial Officer

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Todd McKinnon, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Okta, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 29, 2024

/s/ Todd McKinnon
Todd McKinnon
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Brett Tighe, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Okta, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 29, 2024

/s/ Brett Tighe

Brett Tighe
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Todd McKinnon, Chief Executive Officer of Okta, Inc. (the "Company"), and Brett Tighe, Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the quarterly period ended April 30, 2024, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 29, 2024

/s/ Todd McKinnon
Todd McKinnon
Chief Executive Officer
(Principal Executive Officer)

/s/ Brett Tighe
Brett Tighe
Chief Financial Officer
(Principal Financial Officer)

FY25 Sales Incentive Compensation Plan

Terms and Conditions

1. Introduction

This Sales Incentive Compensation Plan Terms and Conditions (collectively with your Individual Commission Plan ("ICP") or other commission-based goals) (the "Plan") outlines the terms and conditions of the Okta Fiscal Year 2025 Sales Compensation Plan. The Plan starts effective 1st February 2024. This applies to all employees ("Plan Participant," "you" or "your") of Okta, Inc. ("Okta" or the "Company") eligible to participate in the Plan. In addition to your base salary, Okta will pay a sales incentive, as described in this Plan, pursuant to any ICP or other commission-based goal adopted by the Incentive Design Steering Group (the "IDSG"). Please refer to your ICP or any other document provided to you by the IDSG that includes your commission-based goal for specific information about your sales Quota and other components of your incentive compensation.

2. Plan Period and Plan Administration

The Plan Period is effective as of February 1, 2024 through January 31, 2025. The Plan remains in effect until amended or superseded by a written document approved and issued by the IDSG. The IDSG, in its sole discretion, makes all determinations with respect to this Plan, all ICPs or any other commission-based goals adopted hereunder, including but not limited to, determining goals, territories, metrics, determinations of achievement and payout under ICPs or other commission-based goals approved for a Plan Participant and any exceptions, revisions, deletions, or modifications to the Plan. Any such alterations will be communicated to the Plan Participant in writing. For the avoidance of doubt, when used in the Plan, the term writing includes email or other forms of electronic communication.

The Plan, together with any ICP or other commission-based goals approved by the IDSG from time to time for a Plan Participant, constitutes the entire agreement between the parties with respect to sales incentive compensation and supersedes all prior agreements and understandings related to sales incentive compensation, whether written or oral.

Subject to Section 7 below, this Plan shall be binding upon, and inure to the benefit of Okta and its successors and assigns, including any corporation with which, or into which, Okta may be merged or which may succeed to its assets or business.

3. Participation

In order to participate in the Plan, you must be employed by Okta and must be designated as eligible by the IDSG. In addition, you must, in a timely fashion, sign, date and agree to the terms of (1) the Plan; (2) the ICP Acknowledgment Form or other acknowledgement form relating to any other commission-based goals approved by the IDSG for you, and (3) all other documents and agreements required by the Company. Okta will provide these documents to each eligible employee by email or other means as determined by Okta.

To be eligible for payments pursuant to this Plan and any ICP or other commission-based goals approved by the IDSG for you hereunder, you must comply with Okta's policies, procedures and instructions, as determined by Okta in its sole discretion. You must take reasonable steps to become fully informed and knowledgeable about all Okta policies, procedures and instructions.

4. Definitions

IDSG: The Incentive Design Steering Group is the group that has sole and absolute discretion to make all sales incentive and commission determinations for Okta and its subsidiaries, including all determinations under this Plan, any ICP or other commission-based goals adopted for Plan Participants under this Plan. The IDSG consists of representatives from Finance, HR, Operations, and Go-To-Market leadership. The IDSG has the authority to delegate responsibilities under the Plan.

ICP: An Individual Commission Plan ("ICP"), is the statement provided to a Plan Participant specifying the material terms of their potential to earn commission-based compensation, including the quotas, targets, potential payout, etc. with respect to any fiscal year or other fiscal period.

Sale: Authorized sale of Okta's Products to new or existing customers which generates Qualifying Bookings. All sales must comply with Okta's revenue recognition policy, and if the structure of any contract alters the ability of Okta to recognize revenue, Okta reserves the right to reduce the value of a Sale to the amount which will be able to be recognized as revenue. In such case, during Okta's approval of the proposed contract as required herein, Okta will notify you prior to any proposed contract being signed if the structure of the contract will conflict with Okta's revenue recognition policy.

Qualifying Bookings: The net amount of all fees resulting from a closed Sale with a negotiated, agreed upon and bilaterally executed contract. The executed contract must be approved pursuant to Okta's applicable legal and sales processes currently in place and as amended from time-to-time. In order to be considered a Qualified Booking, the start date of the contract must be within 30 days from the date of the contract is executed. To the extent the start date of the contract is delayed more than 30 days from the date the contract is executed, the executed contract will not become a Qualified Booking until 30 days prior to the start date of the contract.

Qualifying Bookings can include both new customers and up-sells to existing customers (where an existing customer purchases additional user licenses, upgrades its edition, or otherwise contracts for additional fees over its initial purchase).

Qualifying Booking Close Date: The date on which a closed Sale becomes a Qualified Booking and is reflected in Okta's customer relationship management systems (CRM) and enterprise resource planning systems (ERP).

Quota: An individualized target for sales of Products and/or Services that sets forth Okta's expectation of the Qualifying Bookings and other metrics as may be identified in your ICP to be generated by you during a specified time period.

Quota Credit: Credit calculated in accordance with the Plan to be applied towards the Commission based on Participant's Quota achievement and Measures specified in a Plan Document. All Credit shall be reviewable and subject to pre-approval by the IDSG.

Commission Calculations: Commissions are calculated for each measurement period based on Measures included in your Plan Document. In accordance with your Plan Document, Commissions may include base and accelerated commissions rates.

5. Commission Payment

All commission payments are subject to adjustments for cancellation, non-payment by the customer and overpayments for a period of 180 days after payment is made. To the extent permitted by law, during this 180 day period the amounts to be recovered may be recovered from the Participant's future incentive payments, salary paychecks, or termination pay until fully recovered. Pursuant to any ICP or other commission-based goals adopted by the IDSG for you hereunder, the Company will pay your Commissions based on Quota attainment, calculated and paid in advance on Qualifying Bookings in the pay period following the Qualifying Booking Closed Date, each as determined in the sole discretion of the IDSG.

For detailed information on Qualifying Booking credit and how it is calculated, please review the current Okta FY25 Booking Credit Policies.

Commission statements will be provided electronically to Plan Participants. If you prefer a paper copy, your Incentive Plan Document is available in Xactly. All sales team members are responsible for the timely review of their commission credit statements in Xactly. Any disputes or adjustment inquiries must be submitted within 30 calendar days from the respective CRM opportunity Close Date. Dispute/adjustment requests submitted after this 30-day window are required to be submitted for GTMComp Review and shall be reviewable and subject to pre-approval by the IDSG.

6. Employment Events and Impact on Payouts

New hires, promotions, and transfers: The Company will determine if and when a new hire, newly promoted or transferred employee is eligible to participate in the Plan. To the extent you transfer to a non-commission eligible position, you will be paid all Commission earned as of your official transfer date subject to applicable law.

Target Incentive Change: Participants will receive a revised incentive plan document with the new variable incentive which will reflect the revised commission rates on a go-forward basis.

Effective Incentive Plan Start date: 15th of the Month Rule: Participants who are hired on or before the 15th of the month, will be put on the Plan effective the first day of that month. Participants who are hired after the 15th of the month will be put on the Plan effective the first day of the next month. Participants will not be eligible for variable compensation until their Plan start date.

Terminations: Upon termination of your employment, you will be paid all earned and calculable Commission up to your termination date, if any, in accordance with the terms of your ICP and subject to applicable law. To the extent your earned Commission is not calculable on your termination date, it will be paid within a reasonable period after calculated and in accordance with the payroll schedule.

Leave of Absence. To the extent any Participant takes a leave of absence from Okta, the Participant will be paid any Commission earned during the leave of absence in accordance with the FY25 Leave of Absence Sales Policies. The IDSG, in its sole discretion, may award a split Commission on sales that are not deemed Qualifying Bookings prior to the Participant’s leave.

Please refer to the FY25 LOA Sales Policy for additional details regarding parental leave and other approved leaves of absence.

Quota Modifications. Okta may modify Quotas in the event a Participant's ability to achieve Quota as set forth in a Plan Document is materially impacted due to an extraordinary event, change in business conditions, or other significant event as determined by Okta in its sole discretion. All Quota modifications must be approved by the IDSG and the Executive Leadership of Sales. A new Plan Document will be issued to the Participant when there are quota modifications.

7. Plan Changes

The IDSG has sole and absolute discretion to make all determinations under this Plan and all ICPs and other commission-based goals adopted hereunder. This includes, without limitation, the right to modify the Plan, any ICPs and other commission-based goals, and the terms and conditions applicable to the same at any point in time. Plan Participants will be provided with written notification of any changes. In the event of such changes, however, Okta will continue to apply the then-current Plan to Qualifying Bookings closed prior to the change.

The IDSG also reserves the right to modify customer account lists or territory at any time and in its sole discretion. A Participant who receives a change in accounts or territory during the Plan Period will retain all Commission earned through the effective date of the change, subject to all other terms and conditions in the Plan.

8. Plan Interpretation and Dispute Resolution

In the event that any provision of this Plan shall be invalid, illegal, or otherwise unenforceable, the validity, legality and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

To the extent there is any disagreement between you and Okta concerning whether a Sale has been made and, if so, the amount of the Qualifying Bookings from such Sale and/or how the Qualifying Bookings from such Sale shall be recognized and paid out to you, the IDSG shall resolve such dispute in its sole and absolute discretion.

9. Rights and Restrictions

The Plan will not be deemed to give you the right to employment at Okta, nor will the Plan interfere with the right of Okta to discharge you at any time with or without cause. This Plan does not constitute a contract of employment. For United States employees, you are an "at-will" employee of Okta and may resign or be terminated from your employment with Okta at any time, with or without cause, for any reason.

You are required to comply with the Company's policies including the Anti-Corruption Policy and Code of Conduct and are prohibited from assigning or giving any part of your compensation or any other consideration to any person or customer as an inducement or gratuity in aiding you to obtain an order, or accepting any gratuity or other consideration from third parties when engaged in sales and marketing activities. By signing each Acknowledgement Form under this Plan, you also agree that you have not and will not enter into a side agreement of any nature with a customer. Violation of these policies will be cause for appropriate disciplinary action, up to and including immediate termination.

10. Foreign Exchange Policy

For Participants employed by a foreign entity of the Company, you will receive an incentive plan with on-target payments, quotas and corresponding rates in the appropriate local currency in which you are paid. The currency conversion rate used is fixed at the beginning of the fiscal year. These rates will be reviewed and may be changed periodically by the Finance department as needed.

Wiki link: FY25 Exchange Rates

11. Windfall Policy

The Sales Incentive Plan is based on management's ability to accurately forecast and set realistic quotas that enable management to recognize and reward the Participant's performance.

Unexpected scenarios, including but not limited to an un-forecasted deal or transaction where the Participant had little influence on any single deal or transaction with an opportunity amount greater than or equal to the amount of your annual quota, will be subject to review by the IDSG. The IDSG, in their sole discretion, will determine the amount of the incentive payable with respect to any such windfall transaction, and you may not receive standard commission rates for such deals. Options for determining such an amount include, but are not limited to, full quota credit with no quota adjustment, full quota credit with a quota adjustment, or a separate payout.

12. Draw Policy

Recoverable Draw : Participants in an eligible role may receive an Advanced Recoverable Draw as documented in your offer letter or as otherwise provided. An Advanced Recoverable Draw is an advance on future commissions through payment of an Advanced Recoverable Draw for your benefit. The Advanced Recoverable Draw will be paid back to the Company through offsets from future commissions. Amounts advanced are a prepayment of wages and are not earned at the time of payment. Recoverable draw payments will immediately be offset by all commissions earned including SPIFFs. Once the Company recovers the total recoverable draw amount for the month, you will then be eligible to earn and be paid any additional monies you qualify for under your commission plan. If the amount of commission calculated under the commission plan exceeds your draw amount, you will be paid the difference in accordance with the Company's standard commission schedule. In the event of termination, Okta reserves the right to recover any unpaid draw balance from salary paychecks and termination pay until fully recovered, to the extent permitted by law.

Non-Recoverable Draw : A non-recoverable draw may be offered to an active participant as documented in your offer letter. A non-recoverable draw is a fixed payment in advance of earning commissions. If you are offered a non-recoverable draw, you will receive a monthly non-recoverable draw equal to a percentage of your monthly Target Incentive for the first 3 months of employment. The monthly Target Incentive is calculated based on the number of days within the month. If you have no earned commissions during this period, the full draw amount will be paid to you. If your earned commissions are less than the non-recoverable draw, you will receive as a draw the difference between your earned commissions and the non-recoverable draw for that month. If your earned commissions exceed the non-recoverable draw, you will receive no draw payment for that month. Additionally, if total commissions earned during the draw period exceeds the full value of the draw, any future draw payments will cease. Draw payments are aligned with commissions and paid one month in arrears. At the time your employment with the Company ends, regardless of the reason, you will not need to repay the Company any amount of the draw you've received to date. Should you terminate during any month that you are eligible for the non-recoverable draw, your non-recoverable draw will be calculated based on the number of days worked in the month.

If your start date is before the 15th of the month, then your draw eligibility will commence the first of the month in which you are hired, with the first draw payment being at the end of the month following your start date. If your start date is after the 15th of the month, then your draw eligibility will commence on the 1st of the month following your start date with the first draw payment being at the end of the second month following your start date.