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PRESENTATION

Operator

Ladies and gentlemen, thank you for joining today to discuss Okta's first-quarter 2018 financial results. Today's conference is being recorded.

I'd like to turn the conference over to Catherine Buan, Vice President of Investor Relations. Ms. Buan, please go ahead.

Catherine Buan - *Okta, Inc. - VP of IR*

Good afternoon, and thank you for joining us on today's conference call to discuss Okta's fiscal first-quarter 2018 financial results. With me on today's call are Todd McKinnon, Okta's Co-Founder and Chief Executive Officer; Bill Losch, the Company's Chief Financial Officer; and Frederic Kerrest, the Company's Co-Founder and Chief Operating Officer.

Statements made on this call include forward-looking statements pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 including, but not limited to, statements regarding our financial outlook and market positioning. Forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Forward-looking statements represent our management's beliefs and assumptions only as of the date such statements are made.

In addition, during today's call we will discuss non-GAAP financial measures. These non-GAAP financial measures are in addition to, and not a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. There are a number of limitations related to the use of these non-GAAP financial measures versus their closest GAAP equivalents.

For example, other companies may calculate non-GAAP financial measures differently, or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures as tools for comparison.

A reconciliation between GAAP and non-GAAP financial measures is available in our earnings release. Further information on these and other factors that could affect the Company's financial results is included in filings we make with the SEC from time to time, including the section titled risk factors in the Company's Form S-1 previously filed with the SEC.

Now, I'd like to turn the call over to Todd McKinnon. Todd?

Todd McKinnon - *Okta, Inc. - Co-Founder and CEO*

Thanks, Catherine and thanks, everyone, for joining our first earnings call. I'd like to thank our customers, partners, and investors who have been essential to our success to date. I'd also like to recognize the employees at Okta who have been instrumental to our growth and success. We are very proud of how far we've come since Freddy and I started Okta back in 2009 and look forward to building on our success in the years ahead.

With that, I'm pleased to share our very strong first-quarter results with you today. I will begin with a quick overview of our performance in the quarter and then provide some background on our business for those new to the Okta story. And, finally, I'll touch on some of the exciting developments and customer wins we had in the quarter before turning it over to Bill, who will walk through the financials in detail.

We had a very successful start to the year and achieved a record quarterly revenue in billings while meaningfully improving operating margins. Total revenue grew 67% year-over-year to a record $53 million, while subscription revenue grew 75% year-over-year to $48 million. Calculated billings grew 75% year-over-year to $60 million. And what's even more notable is that our non-GAAP operating margin improved 24 percentage points year-over-year while we maintained very strong top-line growth as we continued to see increasing year-over-year leverage in our business.

The rapid growth and expansion we continue to experience is a result of the key role Okta plays in a constantly evolving cloud-centric world. Today you cannot avoid the buzzwords of "digital transformation," but it's more than just marketing jargon.

Organizations of all sizes around the world are rapidly adopting cloud applications and mobile technologies to move their companies forward. This often results in increasing complexity, sprawl, and vulnerability within their IT infrastructures while negatively impacting their end-user experience. These organizations need a secure way to manage the evolving interactions between their businesses and their employees, partners, suppliers, and customers.

At Okta, we recognized from the start that identity is the foundation for connections between people and technology. Our products allow users to connect to any application from any device, all with a simple, intuitive, and consumer-like user experience. The Okta Identity Cloud enables millions of users every business data securely access all the applications and data they need to do their most important work.

We have six individual products that operate as a unified platform and together make up the Okta Identity Cloud. First is Okta Single Sign-On, which enables users to access all of their applications from any device with a single set of credentials.

Next is Okta Universal Directory, which provides a centralized, cloud-based, flexible store to capture user application and device profiles as well as the relationships between those profiles.

Our third product, Okta Adaptive Multi-Factor Authentication, provides an additional layer of security for data and applications while using modern authentication factors such as text messaging and push notifications.

Our fourth product, Okta Lifecycle Management, is a provisioning product that automates IT processes and ensures user accounts are created and deactivated at the appropriate times.

Okta Mobility Management, our fifth product, uses identity to automate mobile device administration and provisioning across phones, tablets, and laptops, providing seamless and secure mobile access to any application without compromising security.

And lastly, our newest product, Okta API Access Management, enables organizations to connect custom Web and mobile experiences to cloud or on-premise services through APIs.

Customers use our platform for a variety of use cases, both internally for their employees and contractors as well as externally to connect their customers, partners, and suppliers. Identity management has historically focused on securing and authenticating internal users. But as organizations become more distributed, and customer engagement moves to online and mobile channels, we recognize that the use cases for internal and external identity solutions were aligning.

For both uses, our approach to identity eliminates duplicative, sprawling credentials and disparate authentication policies, allowing our customers to simplify and scale their IT infrastructures more efficiently as the number of users, devices, clouds, and other technologies in their ecosystem grows.

We believe the Okta Identity Cloud has a number of attributes that set it apart from other solutions in the market. First, pure cloud: our superior cloud architecture scales to deployments of any size and is designed to seamlessly integrate with and manage cloud, hybrid, on-premise, and mobile technologies, and is built with a core focus on reliability and security.

Second, neutrality: we offer leading technology that provides connectivity in a way that is independent, irrespective of application, user, location, or connected device. We believe organizations should have the flexibility to use any technology they choose, and their identities should not be tied to any one vendor who provides both applications and identity solutions.

Third, ecosystem: our ecosystem of integrations, which we call the Okta Application Network, provides immediate time to value with over 5,000 integrations with cloud, mobile, and Web applications. We are also able to benefit from a number of network effects inherent to our platform, as the more people, applications, devices, and organizations we connect, the more intelligence we gather and the deeper value we can deliver to our customers.

Lastly, superior user experience without sacrificing organizational security: we provide a differentiated user experience, offering an elegant and intuitive interface despite the complexity of the issues we solve. We deliver this while also going to great lengths to ensure that our platform is held to the highest standards in security, and we have achieved several significant industry certifications for cloud security.

On that note, we were very pleased to announce in the quarter that we achieved FedRAMP certification, a gold standard in security certification which currently allows US government agencies to realize the benefits of the Okta Identity Cloud and simplify the adoption of Okta's identity, mobility, and security solutions at scale. This certification clears the path for us to pursue the US government agency market, though we are still in the very early stages of capitalizing on this opportunity.

These differentiators have contributed to Gartner continuously recognizing Okta as a leader in the industry. In fact, Okta has been the clear execution leader in every single Gartner Magic Quadrant we've ever participated in. Historically, that has been in the identity-as-a-service, or IDaaS Magic Quadrant, where we were a leader every single year. Going forward, Gartner is expected to publish a new Magic Quadrant that covers both cloud and on-premise products, and we expect to do well in this newly expanded Magic Quadrant as well. It is expected to be published in the coming weeks.

Our dedication to innovation and customer success has enabled us to grow to serve a customer base of over 3,350 organizations of all sizes and verticals. We saw strong customer momentum in the first quarter, particularly with large organizations, and we now serve 493 customers with over $100,000 in annual contract value, a number that has grown 64% year-over-year. The enthusiasm our customers have for our products continues to grow, as demonstrated by our consistently high dollar-based retention rate which was 123% in the first quarter.

I'd like to highlight a few notable customer wins from the first quarter to provide some insight on our traction in the market. First, demand for our core products continues to be very strong. This quarter, a large North American grocery and retail chain selected the Okta Identity Cloud to securely connect their 12,000 employees to cloud applications. The company will implement Okta Single Sign-On and Universal Directory to seamlessly manage employee access; and Okta Multi-Factor Authentication to ensure security of corporate data.

Second, we have seen more and more traction landing initial deals with external use cases at large organizations. For example, a North American National Bank is turning to Okta Identity Cloud to build a secure and seamless banking experience for their 2 million plus customers.

This is an important external use case that is representative of our opportunity to connect companies, including highly regulated industries such as commercial banking, to their customers. The bank will be leveraging Okta to deploy a new digital platform offering an improved online user experience for their customers, who range from commercial to retail and wealth management clients.

Third, we continue to see more and more expansion and upsells from internal use cases to external use cases. For example, Wyndham Worldwide has been an Okta customer for over a year, utilizing the Okta Identity Cloud to accelerate their move to the cloud while enhancing user experience for their employees. The new win this quarter is that Wyndham will now leverage the Okta Identity Cloud as part of the online infrastructure supporting its Wyndham Rewards loyalty program expansion. Now they are using Okta to improve their customers' experience as well.

These customers are just a few examples of how organizations across a wide range of verticals are utilizing the Okta Identity Cloud for a variety of use cases. These examples also demonstrate that we have a significant potential for upsells and cross-sells within our existing customer base, a dynamic that continues to drive our strong top-line growth. We believe we are just scratching the surface of our overall market opportunity, and are focused on broadening our footprint within both existing customers and into new customers and markets.

Not only are we well positioned to capture share in what we estimate to be an $18 billion market for internal use cases, but we believe our opportunity with customers using Okta for external use cases is significant and largely untapped.

To give some context on the external market opportunity, companies are already spending over $100 billion every year building cloud applications and custom software, such as mobile applications, to more effectively engage with their customers. All of these technologies require a form of identity management to function.

As we look to further build on our capabilities for external users, we added the team from Stormpath in March. Stormpath focused on identity for the developer. The integration of Stormpath into Okta accelerates the growth of our identity platform for developers.

The need for secure application integration continues to grow as organizations seek to unified identity across applications, services, and devices, and developers are a key part of this process. Developers are now able to natively build Okta's identity solutions into any application, enabling them to build and scale these customer-facing applications in a matter of days, a process that used to take months or years.

We are excited about what this partnership means for developers and for our customers; and, ultimately, what this means for our ability to capture share in what we believe is a massive market for external use cases.

In summary, we are very pleased with our results this quarter. We generated industry-leading revenue growth and demonstrated increasing financial leverage in the model at the same time. We are seeing robust demand across the business, and we are in the early innings of a significant market opportunity. And we appreciate your interest in the Okta story.

I'd now like to turn over the call to Bill to walk through the financial results. Bill?

Bill Losch - *Okta, Inc. - CFO*

Thanks, Todd, and thanks again to everyone for joining us. I'll start by providing a brief overview of our financial model, and then I'll go through our first fiscal quarter results in detail before moving on to guidance for the second quarter and full year of fiscal 2018.

Our cloud-based platform is offered through a SaaS model, and we generate revenue primarily by selling subscriptions that are generally three years for our large enterprise customers, and range from 1 to 2 years for our small and midmarket customers. We typically invoice customers annually and in advance.

There are a number of levers that drive our growth, including acquiring new customers, increased customer spending when the number of users within a customer expands, and upselling additional products. We also look to grow within customers by expanding their deployment of Okta for both internal and external use cases. Our subscription fees are based on the products a customer is using and the number of users on the platform.

We also sell Professional Services, which include fees for assisting customers in implementing our products. The primary objective of our professional services team is to make our customer successful, which in turn drives higher subscription revenue as these customers expand their usage of the Okta Identity Cloud. We expect professional services will be a smaller proportion of our overall revenue as our business grows and as our service partners lead a larger portion of implementation.

We had a strong first quarter and a start our fiscal year. As Todd mentioned, revenue for the first quarter totaled $53 million, growing 67% year-over-year. Subscription revenue totaled $48.4 million in the first quarter, an increase of 75% year-over-year, and comprised 91% of our total revenue. Professional Services revenue was $4.7 million, an increase of 10% over the same period last year.

In terms of geographic breakdown, roughly 86% of our first-quarter revenue came from the US, and roughly 14% came from outside the US, with the majority of this coming from EMEA. We are in the early stages of international expansion, and we remain dedicated to growing our international sales footprint over time. We expect our mix of international revenue will continue to grow over the coming years.

Moving on to billings. As a reminder, we define calculated billings as total revenue recognized in that quarter, plus the change in total deferred revenue for the quarter. Calculated billings in Q1 were $59.9 million, an increase of 75% year-over-year.

Clearly, we are happy with the calculated billings growth this quarter and the underlying demand that is driving our business. The exceptionally high growth rate in Q1 was attributed to a number of large user expansions in enterprise that benefited billings in the quarter due to the timing of the invoicing. Of course, this also shows how billings can fluctuate from quarter to quarter based on the timing of renewals and billings duration for large enterprises. We also tend to see our strongest billings in the fourth quarter as a result of the buying patterns of large enterprise customers.

Given the seasonal billing fluctuations that we expect to continue, an additional way to look at billings growth is on a trailing 12-month basis, which removes seasonality. From a trailing 12-month perspective, calculated billings growth, ending Q1, was 69%.

As of the end of Q1 we had over 3,350 customers and continued to see strong momentum with new customer additions. We remain focused on growing our large enterprise customer base, and ended the quarter with 493 customers with an annual contract value above $100,000, up 64% compared to Q1 of fiscal 2017. We have also continued to see average deal sizes grow with our large enterprise accounts.

These strong customer trends, along with continued expansion with our existing customers, are reflected in our dollar-based retention rate, which was 123% for the trailing 12 months. Not only are we adding new customers at a rapid pace, but our existing customers continue to grow the number of users on the platform, expand into new use cases, and buy new products.

Before turning to expense items and profitability, I would like to point out that I will be discussing non-GAAP results, going forward. Our GAAP financial results, along with a reconciliation between GAAP and non-GAAP results, can be found in our earnings release.

Subscription gross margin was 78.4%, up 382 basis points versus the first quarter last year. Our subscription gross margin has been consistently strong, although it can fluctuate slightly from quarter to quarter.

Our professional services gross margin was negative 25.5% compared to a negative 10% in the first quarter last year, as expected. In Q1 last year, we realized the benefit of a number of very large fixed deals that completed in that quarter. This had a significant impact on our professional services revenue, and, therefore, gross margin in the period.

It's important to note that we recognize professional services costs when they are incurred, regardless of when the revenue is recognized. Therefore, our professional services margins will continue to fluctuate from quarter to quarter.

Total gross margin was 69.2%, up 594 basis points year-over-year. Gross profit was $36.7 million, up 82% year-over-year. We expect our overall gross margin to trend higher over time as more of our revenues come from subscriptions, though we will still see fluctuations quarter to quarter.

Turning now to operating expenses, we remain focused on improving the leverage in our business while balancing our investments for growth. With this dynamic in mind, we expect our subscription revenue will grow at a faster rate than our total operating expenses, which will continue to improve operating margins over time.

Sales and marketing expenses for Q1 was $34.8 million compared to $25 million in Q1 last year. This represents 66% of total revenue, an improvement compared to 79% in the first quarter last year. We have continued to invest in our go-to-market operations and are seeing improving operating leverage as our overall customer base grows and our base of subscription revenues from renewals and upsells expands.

R&D expense in Q1 was $12.1 million compared to $8.1 million in Q1 last year. As a percentage of total revenue, R&D was 23% in Q1 versus 26% in the same period last year. Innovation remains a top priority for us, and we will continue to invest in R&D for the foreseeable future, as evidenced by the Stormpath announcement that we made in the first quarter.

G&A expense was $9.6 million for the quarter compared to $6.2 million in the first quarter last year. G&A was 18% of revenue versus 20% of revenue last year. So although we have been investing in people and infrastructure ahead of becoming a public company, our G&A expenses increased more slowly than overall revenue growth in the quarter.

Our operating loss in the quarter was $19.7 million compared to a loss of $19.3 million last year. Operating margin was negative 37%, a 24 point improvement compared to negative 61% in the same period last year.

Net loss per share in Q1 was $0.50, using 39.8 million basic and diluted shares outstanding. This compares to a net loss per share in Q1 of last year of $1.04.

Free cash flow was negative $13.3 million in Q1 compared to a negative $17.2 million last year. Free cash flow margin was negative 25%, a 29 point improvement compared to negative 54% for Q1 last year. We expect to continue to make progress towards sustainable free cash flow on a year-over-year basis, but it may not be in a linear trajectory, given period-to-period fluctuations in billings and working capital.

Turning to the balance sheet, we ended the first quarter with $224.2 million in cash, cash equivalents, and short-term investments. We raised approximately $200 million in our initial public offering in April, or about $194 million, net of expenses, and we are comfortable with our current cash position.

Lastly, we ended the quarter with a total headcount of 1,020, growing at 43% year-over-year, although this grew at a slower pace than our revenue growth. The largest portion of our headcount growth occurred in our customer-facing groups, as we continue to scale the organization to meet our large market demand.

Moving on to guidance, for the second quarter of fiscal 2018 we expect revenue in the range of $55 million to $56 million, representing a growth rate of 47% to 50% year-over-year. Non-GAAP operating loss in the range of $24 million to $23 million. Non-GAAP not loss per share in the range of $0.26 to $0.25, using approximately 92.5 million common shares outstanding.

For the full year of fiscal 2018, we expect revenue in the range of $233 million to $236 million, representing a growth rate of 45% to 47% year-over-year. Non-GAAP operating loss in a range of $91.2 million to $88.2 million. Non-GAAP net loss per share in the range of $1.15 to $1.11, using approximately 80.2 million common shares outstanding.

In close, Q1 was an exceptional quarter. We delivered top-line growth of 67%. That is one of the highest of any public software company today. But even more importantly, we achieved this while improving operating margins by 24 points. I'm very excited about the earnings results in Q1, and look forward to seeing many of you over the next several weeks out on the road.

With that, Todd, Freddy and I will take your questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Sterling Auty, JPMorgan.

Sterling Auty - *JPMorgan - Analyst*

So, looking at the quarter, just looking at the adoption and demand, is there any one or two particular key cloud applications, whether it's Office 365, or other, that's really spearheading the demand generation?

Todd McKinnon - *Okta, Inc. - Co-Founder and CEO*

Hey, Sterling, this is -- it's a great question. We think that -- so we released this report called the Businesses at Work report. We release it about every quarter. And it is a broad survey of adoption of cloud applications that we see on our platform, and then as an extrapolation of what is there in the industry. And you see pretty consistent results from the top 10. Microsoft Office 365 is very heavily adopted; Salesforce is very heavily adopted; Box and some of the other collaboration services are adopted.

So those have all remained steady, and they are all going up. You are seeing more and more cloud, more and more users on those services.

There's also interesting things in the bottom tier. In our last report, we saw Zoom, which is a videoconferencing and collaboration service, really take off. And we saw that emerge on our platform, and that -- some of the more emerging companies are some more interesting results. But I would say in the top, it's the usual folks all doing very well, and cloud is really growing robustly.

Sterling Auty - *JPMorgan - Analyst*

Great. And one follow-up question. Any changes to the competitive landscape in terms of who you are seeing in the final short list of RFPs?

Todd McKinnon - *Okta, Inc. - Co-Founder and CEO*

The competitive landscape is -- remained consistent. And with our win rates against the competitors remaining consistent, particularly Microsoft, where win rates are consistent. And it's interesting, because that's largely on the internal market. So we have identity for internal, which is for employees; and then identity for external, which is this people outside of the employee base of our customers. So identity for customers' customers, or our customers' partners. Anything they're trying to do to really connect their systems to the broader ecosystem outside their enterprise.

And the competitive dynamic there is actually very different. It's more greenfield. It's companies deciding to build versus buy this technology. And when they make the decision to buy, we're the clear leader. And so the competitive dynamic there is pretty different.

Sterling Auty - *JPMorgan - Analyst*

Great, thank you.

Operator

Heather Bellini, Goldman Sachs.

Heather Bellini - *Goldman Sachs - Analyst*

I wanted to dig into -- you just were talking about the external opportunity. I was just wondering if you could share with us how you saw the momentum for that adoption progress during the quarter. And as you look out over the course of the next 12 months, how are you seeing the pipeline for that business start to evolve, and how is the messaging with customers?

Todd McKinnon - *Okta, Inc. - Co-Founder and CEO*

It's something we watch very closely, obviously, and it's over the last three years it's grown very quickly. And in terms of looking out in the future, the pipeline is growing very quickly. And what we see in that part of our business is going to be very -- all the indicators are it's going to be very robust growth and a big part of our business results. It's harder to size because there's not -- it's not as much of a replacement market as the internal market.

The internal market -- internal identity, there's billions and billions of dollars spent today on existing products that are legacy products that we're replacing in the enterprise. And then downmarket, in smaller companies, we'll be the first identity solution in there.

On the external side, it's really -- it's a new market in the sense that the competition there is companies building this themselves. So it's a little bit harder to forecast the market size.

But if you look at all of the indicators from inside -- in our pipeline and what we're seeing with customers and our results -- I mentioned earlier in the prepared comments about the North American bank who chose us to be the identity layer for their consumer banking website. And once an organization makes the decision to -- like that, to buy this technology, buy this identity component versus build it themselves, that's really powerful.

And the more and more successes we see like that, the bigger this opportunity will become. So we are very bullish on this.

Heather Bellini - *Goldman Sachs - Analyst*

And that I just had one follow-up, if I could, just related to Sterling's question about Microsoft. You said your win rate stayed the same. I was wondering if you could just share with us the list of reasons, and how those might be changing in terms of why you are winning versus Azure AD.

Are you seeing the reasons as to why people are going with Okta, over looking at them, or maybe going with a legacy provider? Is why people are migrating for choosing you changing at all? (multiple speakers) longer?

Todd McKinnon - *Okta, Inc. - Co-Founder and CEO*

Yes, I would say the big reason is the more cloud, the more likelihood of Okta winning. So what I mean by that is, not just cloud apps but cloud infrastructure. And companies doing more cloud means more likely that Okta will win versus other providers, Microsoft being included, where a lot of their stack on the identity side is they're on -- it's implemented as an on-premise service, at least partially; and different servers required and different complexities required. So more cloud equals more success for Okta, which is good in the world today where everyone wants to do more cloud.

I would say the other dynamic, particularly with Microsoft, is the company makes a decision as to how strategic the identity platform is to them. And once the identity platform is of any level of strategic importance, we win nearly every time. Versus where they see identity as more of just a slight adjunct or an add-on to a certain app, that's a more challenging environment for us. But more cloud; and the more they see identity as being a strategic choice for the company, and really an enabling platform for a broad ecosystem, an array of technologies and applications -- that's very, very high, high win rate there.

And by the way, those strategic deals are also more valuable. So it's a nice correlation between us winning and the deals being bigger.

Operator

Rob Owens, Pacific Crest Securities.

Rob Owens - *Pacific Crest Securities - Analyst*

I was wondering if you could talk a little bit more about the cadence of your land and expand; and, in particular, provide a little color around the 123% renewal rate that you had this quarter. Is that influenced more by seat expansion, cross-sell of other solutions? And I guess, in particular, there was a couple of large user expansions that you referred to. Maybe you can color them. Thanks.

Frederic Kerrest - *Okta, Inc. - Co-Founder and COO*

Yes, thanks, Rob, for the question. Greatly appreciate it. So when we think about our land and expand, obviously with the two different main use cases that we have, both internal identity and external identity, and the six integrated products that we have on the platform, we now have a lot of different ways that we can land.

A good example would be, as Todd just mentioned, the North American bank that decided to use us for their external opportunity, something that we're seeing more and more of. Of course, we continued to land internally. As we talked about, there's a new large North American grocery chain.

And then finally the upsell opportunity, where you see us going from an internal opportunity that we have, for example, at Wyndham that went very well. And then they come back and say, there's a new opportunity for us to use them now externally. So you see a lot of that the land and expand opportunity.

I think the vectors that you see there are not only additional users but also additional products. And then as I just mentioned expanded use cases, where we can go from internal to external, or start externally and then go internally. We have a large number of examples of that.

Bill Losch - *Okta, Inc. - CFO*

Yes, I would add to that, that in specifically to your question, Rob, about this past quarter, those customers that we referred to, the large user expansion, that really is a situation where it was predominantly a situation where the customer basically provisioned for more users. And that probably, in that particular instance for the -- back this past quarter, we saw more expansion coming from additional users than typically what that mix is. Because typically that mix is, as Freddy said, user expansion, product expansion, cross-sell. And, historically, that mix has been fairly consistent among the three.

Rob Owens - *Pacific Crest Securities - Analyst*

And then second, you mentioned you had achieved FedRAMP. Can you talk about what maybe some of the early conversations looked like there? And federal fiscal year-end obviously coming up in the next few months, next few quarters I guess. Do you plan on any impact to this fiscal year relative to the federal space? Or is that something with long sales cycle that's more of a fiscal 2019 type of play?

Todd McKinnon - *Okta, Inc. - Co-Founder and CEO*

It's a great question. We are very excited about helping the government -- not just federal government, but state and local governments, and also educational institutions adopt technology and be more productive and more strategic. As you know, that's a big, big part of the economy overall, so we're very excited about the opportunity there.

With that being said, while I think all of state and local governments, education, and federal governments are excited about cloud, it's a new thing for them. They are figuring out what it means for the regulatory, and what it means for their procurement cycles and so forth.

So while we are very bullish and we have -- we have invested in sales resources to attack this market, and we have the certification now -- we talked about FedRAMP -- we're being, I think, prudent with how long it will take those investments to pay off. But it's still something, down the road, that's going to be a big part of our business.

Rob Owens - *Pacific Crest Securities - Analyst*

Great, thank you.

Operator

Richard Davis, Canaccord.

Richard Davis - *Canaccord Genuity - Analyst*

So I think, as I recall, you are about a year into -- what is it? The SCIM developer program. And I also as I recall it was supposed to automate on- and off-boarding multiple apps. Could you talk -- you touched a little bit on it in the prepared remarks, but how satisfied have you been with this effort? Specifically, have you added SaaS vendors that have gotten onto the bandwagon? And how should we just think about that? Thanks.

Todd McKinnon - *Okta, Inc. - Co-Founder and CEO*

Yes, it's a great question. And this is basically the ability for an application to maintain their own integration to Okta. And that's going very well. We mentioned that we have -- I mentioned in the prepared remarks, we have 5,000 integrations to different Web applications and SaaS applications. And that number is -- almost understates the true number of integrations because those are just the ones that are publicly available.

There's several thousand more that are developed privately by customers, and then shared across the network with other customers once those integrations are tested by us and certified by us as shareable.

So that program is going very well. It's a big part of our strategy, too, to connect to the most applications with the most seamless integrations. And not only at one point in time, but maintain those integrations over time. And to do that we really have to enable the community. And we're making good progress on that, and very excited about what we will be doing there in the future as well.

Richard Davis - *Canaccord Genuity - Analyst*

Got it. And just a quick follow-up. You announced this as, I think, early March, as I recall, but your new connection with Stormpath. Is there anything in terms of technological footprint or improved go-to-market cadence that I should be thinking about as an outsider to the Company? Thanks.

Todd McKinnon - *Okta, Inc. - Co-Founder and CEO*

Yes, Stormpath is -- we're -- it's super important for us. And the way to think about that is there's -- in the world today, where every company is trying to build better mobile applications and better Web services to connect with their customers and partners, there's a new constituency involved in that company. It's not just IT; it's not just security. And that new constituency is development, like product development and engineers in those companies building these services. Even if they're not software companies, it's every industry, every company.

So this developer is -- they like to try and buy things a different way than IT or security. And Stormpath, for us, is really making sure we have the best product and the best go-to-market and the best documentation and the best toolkits to make those developers super successful very quickly with our platform.

So it's really a -- it is developer-focused, tuning, and improving of our platform to make sure that our external opportunity reaches its full potential. Because in every external opportunity, there is a big developer voice. And so, having a good go-to-market and a good product and service for developers is paramount of importance.

Richard Davis - *Canaccord Genuity - Analyst*

Great. Thank you so much.

Operator

Pat Walravens, JMP Securities.

Pat Walravens - *JMP Securities - Analyst*

Congratulations, you guys. So you mentioned in your prepared remarks the Gartner report, which actually looks like it just got published on our service. So if you haven't seen it already, it's pretty fantastic. Basically you and Microsoft are at the very top, and you're number one in the ability to execute. But so the -- I went right to the concerns, just like all the customers will. And one of the concerns is that you raised prices in the last year, and that they say that Okta has one of the higher average price scenarios, is how they word it. So I'm sure you have a perspective that you share with your customers, and I was wondering if you could share with us.

Todd McKinnon - *Okta, Inc. - Co-Founder and CEO*

Yes, thanks Pat. We saw a preview of it, and I haven't seen the final report, given that it just came out a few minutes ago. But I trust you as saying it's positive, just like the preview we saw. On the -- and it's really exciting, because it is -- customers are trying to figure out this market and Gartner helps them. So we're excited that they are doing the work and seeing what we see, which is that we are the leader.

On pricing, I think that we have the best product, so -- and it's taken a lot of ingenuity and investment to build that product. And I think you are seeing it command a premium in the marketplace. And it's because of the value we deliver to customers. And I think that customers see that our product is unique and differentiated, and can do things for them that other products can't.

And we've gotten also very good at helping customers understand the value and quantifying it, which has led to our ability to have a product that can be priced at a premium level.

Pat Walravens - *JMP Securities - Analyst*

All right, good; so you are capturing some of the value. And then just a slightly related question. So for me as a consumer, let's say that my bank starts using Okta for the external use case. Am I going to experience anything different?

Todd McKinnon - *Okta, Inc. - Co-Founder and CEO*

It depends on how they use it. So, they might use it just as a back-end infrastructure piece to store the user profile and really automate the back end. But they might use it also to really automate the multifactor authentication, and make it so you don't have to carry around a hard token; make it so that you can choose to receive an SMS or a push notification when you log into your bank.

So it depends on how it's implemented. And that's why, as companies choose to use Okta for external, that's why the developer is so important. Because there's a developer that's going to be integrated into the website or the mobile app.

But the good news is that with the Okta platform, it's very easy for the customers to make these decisions and deliver a better end-user experience while also maintaining super-high security. Which is why we're seeing the traction we're seeing in that segment of the market and across all segments of the market.

Pat Walravens - *JMP Securities - Analyst*

Awesome. All right, thank you.

Operator

That does conclude our question-and-answer session. I'd like to turn the call back over to Todd McKinnon for closing remarks.

Todd McKinnon - *Okta, Inc. - Co-Founder and CEO*

So thanks, everyone, again for joining us today. We're really excited about the results from today. One -- I'd just like to close with a final reminder that we're holding Oktane, which is our annual customer and partner event. It's August 29 in Las Vegas. And this year we're going to have about 2,000 customers, partners, and prospects there. And we'll be making exciting announcements about the product and about the Company. And really -- it's like a big, big celebration with our customers on their success, and then the potential of what we could do to together in the future. So hopefully we'll see you all there. And thanks again for your time, and I look forward to meeting you in person soon. Have a good afternoon.

Operator

Once again, that does conclude today's call. We appreciate your participation.
