

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (date of earliest event reported)
August 24, 2023

Okta, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or
organization)

001-38044
(Commission File Number)

26-4175727
(I.R.S. Employer Identification Number)

100 First Street, Suite 600
San Francisco, California 94105
(Address of principal executive offices)

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

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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 is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 2.02 - Results of Operations and Financial Condition

On August 30, 2023, Okta, Inc. (the "Company") issued a press release announcing its financial results for the fiscal quarter ended July 31, 2023.

A copy of the press release is attached as Exhibit 99.1.

Item 5.02 - Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

On August 24, 2023, J. Frederic Kerrest, the Company's Executive Vice Chairman, Chief Operating Officer and Co-founder, notified the Company that he will not return as an employee from his current sabbatical, which ends on October 31, 2023. Mr. Kerrest will continue to serve as a member of the Company's board of directors as Vice Chairman. In connection with the foregoing, in lieu of receiving an initial RSU grant as a non-employee director, Mr. Kerrest has agreed to forfeit 76,549 stock options that are out of the money, and his outstanding RSUs and 5,963 stock options will vest in accordance with their original terms.

Item 7.01 - Regulation FD Disclosures

On August 30, 2023, the Company posted supplemental investor materials on its investor.okta.com website. The Company uses its investor.okta.com and okta.com/blog websites as a means of disclosing material non-public information, announcing upcoming investor conferences and for complying with its disclosure obligations under Regulation FD. Accordingly, investors should monitor the Company's investor relations and okta.com/blog websites in addition to following its press releases, SEC filings and public conference calls and webcasts.

The information furnished in the current report on Form 8-K and in the accompanying Exhibit 99.1 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act regardless of any general incorporation language in such filings, unless expressly incorporated by specific reference in such filing.

Item 9.01 - Financial Statements and Exhibits

(d) Exhibits

Exhibit Number	Description
99.1	Press release dated August 30, 2023, issued by Okta, Inc.
104	Cover Page Interactive Data File—the cover page XBRL tags are embedded within the Inline XBRL document

SIGNATURE

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 hereunto duly authorized on this 30th day of August 2023.

Okta, Inc.

By: /s/ Brett Tighe
Name: Brett Tighe
Title: Chief Financial Officer
(Principal Financial Officer)

Okta Announces Second Quarter Fiscal Year 2024 Financial Results

- Q2 revenue grew 23% year-over-year; subscription revenue grew 24% year-over-year
- Current remaining performance obligations (cRPO) grew 18% year-over-year to \$1.77 billion
- Operating cash flow of \$53 million and free cash flow of \$49 million

SAN FRANCISCO – August 30, 2023 – Okta, Inc. (Nasdaq: OKTA), the leading independent identity partner, today announced financial results for its second quarter ended July 31, 2023.

“Our focus on execution and efficiency has delivered solid top-line results with significant improvements to operating profit and cash flow year-over-year,” said Todd McKinnon, Chief Executive Officer and co-founder of Okta. “We are building on our position as the leading independent identity partner. Both new and existing customers are getting tremendous value from the Okta platform as they seek to simplify their infrastructure while increasing security by integrating identity into their most important projects. We’re confident in our long-term opportunity and driving innovation for our customers, while delivering non-GAAP profitable growth to our shareholders.”

Second Quarter Fiscal 2024 Financial Highlights:

- **Revenue:** Total revenue was \$556 million, an increase of 23% year-over-year. Subscription revenue was \$542 million, an increase of 24% year-over-year.
- **RPO:** RPO, or subscription backlog, was \$3.03 billion, an increase of 8% year-over-year. cRPO, which is subscription backlog expected to be recognized over the next 12 months, was \$1.77 billion, up 18% compared to the second quarter of fiscal 2023.
- **GAAP Operating Loss:** GAAP operating loss was \$162 million, or (29)% of total revenue, compared to a GAAP operating loss of \$208 million, or (46)% of total revenue, in the second quarter of fiscal 2023.
- **Non-GAAP Operating Income/Loss:** Non-GAAP operating income was \$59 million, or 11% of total revenue, compared to a non-GAAP operating loss of \$15 million, or (3)% of total revenue, in the second quarter of fiscal 2023.
- **GAAP Net Loss:** GAAP net loss was \$111 million, compared to a GAAP net loss of \$210 million in the second quarter of fiscal 2023. GAAP net loss per share was \$0.68, compared to a GAAP net loss per share of \$1.34 in the second quarter of fiscal 2023.
- **Non-GAAP Net Income/Loss:** Non-GAAP net income was \$56 million, compared to a non-GAAP net loss of \$16 million in the second quarter of fiscal 2023. Non-GAAP basic and diluted net income per share were \$0.34 and \$0.31, respectively, compared to non-GAAP basic and diluted net loss per share of \$0.10 in the second quarter of fiscal 2023.
- **Cash Flow:** Net cash provided by operations was \$53 million, or 10% of total revenue, compared to net cash used in operations of \$19 million, or (4)% of total revenue, in the second quarter of fiscal 2023. Free cash flow was \$49 million, or 9% of total revenue, compared to negative \$24 million, or (5)% of total revenue, in the second quarter of fiscal 2023.
- **Cash, cash equivalents, and short-term investments** were \$2.11 billion at July 31, 2023. During the quarter, the company repurchased \$142 million principal amount of the convertible senior notes due in

2025, and \$242 million principal amount of the convertible senior notes due in 2026, resulting in a gain on early extinguishment of debt of \$42 million.

The section titled "Non-GAAP Financial Measures" below contains a description of the non-GAAP financial measures, and reconciliations between GAAP and non-GAAP information are contained in the tables below.

Financial Outlook:

For the third quarter of fiscal 2024, the Company expects:

- Total revenue of \$558 million to \$560 million, representing a growth rate of 16% year-over-year;
- Current RPO of \$1.780 billion to \$1.785 billion, representing a growth rate of 13% year-over-year;
- Non-GAAP operating income of \$53 million to \$55 million; and
- Non-GAAP diluted net income per share of \$0.29 to \$0.30, assuming diluted weighted-average shares outstanding of approximately 180 million and a non-GAAP tax rate of 26%.

For the full year fiscal 2024, the Company now expects:

- Total revenue of \$2.207 billion to \$2.215 billion, representing a growth rate of 19% year-over-year;
- Non-GAAP operating income of \$215 million to \$220 million;
- Non-GAAP diluted net income per share of \$1.17 to \$1.20, assuming diluted weighted-average shares outstanding of approximately 179 million and a non-GAAP tax rate of 26%; and
- Non-GAAP free cash flow margin of 15%.

These statements are forward-looking and actual results may differ materially. Refer to the Forward-Looking Statements safe harbor below for information on the factors that could cause our actual results to differ materially from these forward-looking statements.

Okta has not reconciled its forward-looking non-GAAP financial measures to their most directly comparable GAAP measures because certain items are out of Okta's control or cannot be reasonably predicted. Accordingly, reconciliations for forward-looking non-GAAP financial measures are not available without unreasonable effort.

Webcast Information:

Okta will host a live video webcast at 2:00 p.m. Pacific Time on August 30, 2023 to discuss the results and outlook. The news release with the financial results will be accessible from the Company's website at investor.okta.com prior to the webcast. The live video webcast will be accessible from the Okta investor relations website at investor.okta.com. A replay will be available on the Okta investor relations website following the completion of the event.

Supplemental Financial and Other Information:

Supplemental financial and other information can be accessed through the Company's investor relations website at investor.okta.com.

Non-GAAP Financial Measures:

This press release and the accompanying tables contain the following non-GAAP financial measures: non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating income (loss), non-GAAP operating margin, non-GAAP net income (loss), non-GAAP net margin, non-GAAP net income (loss) per share, basic and diluted, non-GAAP tax rate, free cash flow and free cash flow margin. Certain of these non-GAAP financial measures exclude stock-based compensation, non-cash charitable contributions, amortization of acquired intangibles, acquisition and integration-related expenses, restructuring costs related to severance and termination benefits and lease impairments in connection with the closing of certain leased facilities, amortization of debt issuance costs and (gain) loss on early extinguishment of debt. Acquisition and integration-related expenses include transaction costs and other non-recurring incremental costs incurred through the one-year anniversary of the transaction close.

Stock-based compensation is non-cash in nature and is generally fixed at the time the stock-based instrument is granted and amortized over a period of several years. Although stock-based compensation is an important aspect of the compensation of our employees and executives, the expense for the fair value of the stock-based instruments we utilize may bear little resemblance to the actual value realized upon the vesting or future exercise of the related stock-based awards. We believe excluding stock-based compensation provides meaningful supplemental information regarding the long-term performance of our core business and facilitates comparison of our results to those of peer companies.

We also exclude non-cash charitable contributions, amortization of acquired intangibles, acquisition and integration-related expenses, restructuring costs related to severance and termination benefits and lease impairments in connection with the closing of certain leased facilities, amortization of debt issuance costs and (gain) loss on early extinguishment of debt from the applicable non-GAAP financial measures because these adjustments are considered by management to be outside of our core operating results.

In addition to these exclusions, starting in fiscal 2024, we subtract an assumed provision for income taxes to calculate non-GAAP net income. We utilize a fixed long-term projected tax rate of 26% in our computation of the non-GAAP income tax provision to provide better consistency across the reporting periods. The non-GAAP tax rate could be subject to change for a variety of reasons, including changes in tax laws and regulations, significant changes in our geographic earnings mix, or other changes to our strategy or business operations. We will periodically reevaluate the projected long-term tax rate, as necessary, for significant events, based on our ongoing analysis of relevant tax law changes, material changes in the forecasted geographic earnings mix, and any significant acquisitions.

We define free cash flow, a non-GAAP financial measure, as net cash provided by (used in) operating activities, less cash used for purchases of property and equipment, net of sales proceeds, and capitalized software. Free cash flow margin is calculated as free cash flow divided by total revenue. We use free cash flow as a measure of financial progress in our business, as it balances operating results, cash management, and capital efficiency. We believe information regarding free cash flow provides investors and others with an important perspective on the cash available to make strategic acquisitions and investments, to fund ongoing operations, and to fund other capital expenditures. Free cash flow can be volatile and is sensitive to many factors, including changes in working capital

and timing of capital expenditures. Working capital at any specific point in time is subject to many variables, including seasonality, the discretionary timing of expense payments, discounts offered by vendors, vendor payment terms, and fluctuations in foreign exchange rates.

We periodically reassess the components of our non-GAAP adjustments for changes in how we evaluate our performance and changes in how we make financial and operational decisions, and consider the use of these measures by our competitors and peers to ensure the adjustments remain relevant and meaningful.

Okta believes that non-GAAP financial information, when taken collectively with GAAP financial measures, may be helpful to investors because it provides consistency and comparability with past financial performance and assists in comparisons with other companies, some of which use similar non-GAAP financial information to supplement their GAAP results. The non-GAAP financial information is presented for supplemental informational purposes only, and should not be considered a substitute for financial information presented in accordance with GAAP, and may be different from similarly-titled non-GAAP measures used by other companies.

The principal limitation of these non-GAAP financial measures is that they exclude significant expenses that are required by GAAP to be recorded in the Company's financial statements. In addition, they are subject to inherent limitations as they reflect the exercise of judgment by the Company's management about which expenses are excluded or included in determining these non-GAAP financial measures. A reconciliation is provided below for each non-GAAP financial measure to the most directly comparable financial measure stated in accordance with GAAP.

Okta encourages investors to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures, which it includes in press releases announcing quarterly financial results, including this press release, and not to rely on any single financial measure to evaluate the Company's business.

Forward-Looking Statements: This press release contains "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, including but not limited to, statements regarding our financial outlook, business strategy and plans, market trends and market size, opportunities and positioning. These forward-looking statements are based on current expectations, estimates, forecasts and projections. Words such as "expect," "anticipate," "should," "believe," "hope," "target," "project," "goals," "estimate," "potential," "predict," "may," "will," "might," "could," "intend," "shall" and variations of these terms and similar expressions are intended to identify these forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements are subject to a number of risks and uncertainties, many of which involve factors or circumstances that are beyond our control. For example, the market for our products may develop more slowly than expected or than it has in the past; there may be significant fluctuations in our results of operations and cash flows related to our revenue recognition or otherwise; we may not achieve expected synergies and efficiencies of operations between Okta and Auth0, and we may not be able to successfully integrate the companies; global economic conditions could worsen; a network or data security incident that allows unauthorized access to our network or data or our customers' data could damage our reputation and cause us to incur significant costs; we could experience interruptions or performance problems associated with our technology, including a service outage; and we may not be able to pay off our convertible senior notes when due. Further information on potential factors that could affect our financial results is included in our most recent Quarterly Report on Form 10-Q and our other filings with the Securities and Exchange Commission. The forward-looking statements included in this press release represent our views only as of the date of this press release and we assume no obligation and do not intend to update these forward-looking statements.

About Okta

Okta is the World's Identity Company. As the leading independent Identity partner, we free everyone to safely use any technology—anywhere, on any device or app. The most trusted brands trust Okta to enable secure access, authentication, and automation. With flexibility and neutrality at the core of our Okta Workforce Identity and Customer Identity Clouds, business leaders and developers can focus on innovation and accelerate digital transformation, thanks to customizable solutions and more than 7,000 pre-built integrations. We're building a world where Identity belongs to you. Learn more at okta.com.

Okta uses its investor.okta.com and okta.com/blog websites as a means of disclosing material non-public information, announcing upcoming investor conferences and for complying with its disclosure obligations under Regulation FD. Accordingly, you should monitor our investor relations and okta.com/blog websites in addition to following our press releases, SEC filings and public conference calls and webcasts.

Investor Contact:

Dave Gennarelli
investor@okta.com

Media Contact:

Kyrk Storer
press@okta.com

OKTA, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

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

(unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Revenue:				
Subscription	\$ 542	\$ 435	\$ 1,045	\$ 833
Professional services and other	14	17	29	34
Total revenue	556	452	1,074	867
Cost of revenue:				
Subscription ⁽¹⁾	128	117	250	228
Professional services and other ⁽¹⁾	21	21	41	41
Total cost of revenue	149	138	291	269
Gross profit	407	314	783	598
Operating expenses:				
Research and development ⁽¹⁾	172	156	335	318
Sales and marketing ⁽¹⁾	261	265	517	517
General and administrative ⁽¹⁾	119	101	229	211
Restructuring and other charges	17	—	24	—
Total operating expenses	569	522	1,105	1,046
Operating loss	(162)	(208)	(322)	(448)
Interest expense	(2)	(3)	(5)	(6)
Interest income and other, net	18	5	35	7
Gain on early extinguishment of debt	42	—	73	—
Interest and other, net	58	2	103	1
Loss before provision for income taxes	(104)	(206)	(219)	(447)
Provision for income taxes	7	4	11	6
Net loss	\$ (111)	\$ (210)	\$ (230)	\$ (453)
Net loss per share, basic and diluted	\$ (0.68)	\$ (1.34)	\$ (1.42)	\$ (2.89)
Weighted-average shares used to compute net loss per share, basic and diluted	162,755	157,400	162,051	156,650

⁽¹⁾ Amounts include stock-based compensation expense as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Cost of subscription revenue	\$ 21	\$ 18	\$ 37	\$ 35
Cost of professional services and other	4	3	8	7
Research and development	74	70	142	140
Sales and marketing	41	39	79	78
General and administrative	45	40	85	81
Total stock-based compensation expense	\$ 185	\$ 170	\$ 351	\$ 341

OKTA, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(dollars in millions)

(unaudited)

	July 31, 2023	January 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 356	\$ 264
Short-term investments	1,750	2,316
Accounts receivable, net of allowances	388	481
Deferred commissions	101	92
Prepaid expenses and other current assets	91	76
Total current assets	2,686	3,229
Property and equipment, net	49	59
Operating lease right-of-use assets	92	122
Deferred commissions, noncurrent	218	210
Intangible assets, net	211	241
Goodwill	5,406	5,400
Other assets	51	46
Total assets	\$ 8,713	\$ 9,307
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 13	\$ 12
Accrued expenses and other current liabilities	95	112
Accrued compensation	123	99
Deferred revenue	1,225	1,242
Total current liabilities	1,456	1,465
Convertible senior notes, net, noncurrent	1,451	2,193
Operating lease liabilities, noncurrent	122	142
Deferred revenue, noncurrent	17	18
Other liabilities, noncurrent	27	23
Total liabilities	3,073	3,841
Stockholders' equity:		
Preferred stock	—	—
Class A common stock	—	—
Class B common stock	—	—
Additional paid-in capital	8,359	7,974
Accumulated other comprehensive loss	(14)	(33)
Accumulated deficit	(2,705)	(2,475)
Total stockholders' equity	5,640	5,466
Total liabilities and stockholders' equity	\$ 8,713	\$ 9,307

OKTA, INC.
SUMMARY OF CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in millions)

(unaudited)

	Six Months Ended July 31,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (230)	\$ (453)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Stock-based compensation	351	341
Depreciation, amortization and accretion	43	61
Amortization of debt issuance costs	2	2
Amortization of deferred commissions	49	39
Deferred income taxes	3	2
Lease impairment charges	25	—
Gain on early extinguishment of debt	(73)	—
Net gain on strategic investments	—	(2)
Other, net	4	2
Changes in operating assets and liabilities:		
Accounts receivable	92	74
Deferred commissions	(65)	(50)
Prepaid expenses and other assets	(14)	(2)
Operating lease right-of-use assets	12	14
Accounts payable	1	24
Accrued compensation	24	(55)
Accrued expenses and other liabilities	(4)	1
Operating lease liabilities	(20)	(13)
Deferred revenue	(18)	15
Net cash provided by operating activities	182	—
Cash flows from investing activities:		
Capitalized software	(7)	(6)
Purchases of property and equipment	(2)	(7)
Purchases of securities available-for-sale and other	(577)	(571)
Proceeds from maturities and redemption of securities available-for-sale	1,101	521
Proceeds from sales of securities available-for-sale and other	61	—
Purchases of intangible assets	—	(2)
Payments for business acquisitions, net of cash acquired	(22)	(4)
Net cash provided by (used in) investing activities	554	(69)
Cash flows from financing activities:		
Payments for repurchases of convertible senior notes	(671)	—
Payments for warrants related to convertible senior notes	(4)	—
Proceeds from stock option exercises, net of repurchases	8	9
Proceeds from shares issued in connection with employee stock purchase plan	26	19
Net cash provided by (used in) financing activities	(641)	28
Effects of changes in foreign currency exchange rates on cash, cash equivalents and restricted cash	2	(6)
Net increase (decrease) in cash, cash equivalents and restricted cash	97	(47)
Cash, cash equivalents and restricted cash at beginning of period	271	273
Cash, cash equivalents and restricted cash at end of period	\$ 368	\$ 226

OKTA, INC.

Reconciliation of GAAP to Non-GAAP Data

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

(unaudited)

Non-GAAP Gross Profit and Non-GAAP Gross Margin

We define non-GAAP gross profit and non-GAAP gross margin as GAAP gross profit and GAAP gross margin, adjusted for stock-based compensation expense included in cost of revenue, amortization of acquired intangibles and acquisition and integration-related expenses.

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Gross profit	\$ 407	\$ 314	\$ 783	\$ 598
Add:				
Stock-based compensation expense included in cost of revenue	25	21	45	42
Amortization of acquired intangibles	12	12	24	22
Acquisition and integration-related expenses	—	—	—	1
Non-GAAP gross profit	<u>\$ 444</u>	<u>\$ 347</u>	<u>\$ 852</u>	<u>\$ 663</u>
Gross margin	73 %	70 %	73 %	69 %
Non-GAAP gross margin	80 %	77 %	79 %	76 %

Non-GAAP Operating Income (Loss) and Non-GAAP Operating Margin

We define non-GAAP operating income (loss) and non-GAAP operating margin as GAAP operating loss and GAAP operating margin, adjusted for stock-based compensation expense, non-cash charitable contributions, amortization of acquired intangibles, acquisition and integration-related expenses and restructuring costs related to severance and termination benefits and lease impairments in connection with the closing of certain leased facilities.

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Operating loss	\$ (162)	\$ (208)	\$ (322)	\$ (448)
Add:				
Stock-based compensation expense	185	170	351	341
Non-cash charitable contributions	1	1	2	2
Amortization of acquired intangibles	18	22	41	42
Acquisition and integration-related expenses	—	—	—	7
Restructuring costs	17	—	24	—
Non-GAAP operating income (loss)	<u>\$ 59</u>	<u>\$ (15)</u>	<u>\$ 96</u>	<u>\$ (56)</u>
Operating margin	(29)%	(46)%	(30)%	(52)%
Non-GAAP operating margin	11 %	(3)%	9 %	(6)%

Non-GAAP Net Income (Loss), Non-GAAP Net Margin and Non-GAAP Net Income (Loss) Per Share, Basic and Diluted

We define non-GAAP net income (loss) and non-GAAP net margin as GAAP net loss and GAAP net margin, adjusted for stock-based compensation expense, non-cash charitable contributions, amortization of acquired intangibles, acquisition and integration-related expenses, amortization of debt issuance costs, gain on early extinguishment of debt and restructuring costs related to severance and termination benefits and lease impairments in connection with the closing of certain leased facilities. In addition, starting in fiscal 2024, we subtract an assumed provision for income taxes to calculate non-GAAP net income. We utilize a fixed long-term projected tax rate of 26% in our computation of the non-GAAP income tax provision to provide better consistency across the reporting periods.

We define non-GAAP net income (loss) per share, basic, as non-GAAP net income (loss) divided by GAAP weighted-average shares used to compute net loss per share, basic and diluted.

We define non-GAAP net income (loss) per share, diluted, as non-GAAP net income (loss) divided by GAAP weighted-average shares used to compute net loss per share, basic and diluted adjusted for the potentially dilutive effect of (i) employee equity incentive plans, excluding the impact of unrecognized stock-based compensation expense, and (ii) convertible senior notes outstanding and related warrants. In addition, non-GAAP net income (loss) per share, diluted, includes the impact of our note hedge and capped call agreements on convertible senior notes outstanding, as applicable. The note hedge and capped call agreements are intended to offset potential dilution to our Class A common stock upon any conversion or settlement of the convertible senior notes under certain circumstances. Accordingly, we did not record any adjustments for the potential impact of the convertible senior notes outstanding under the if-converted method.

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Net loss	\$ (111)	\$ (210)	\$ (230)	\$ (453)
Add:				
Stock-based compensation expense	185	170	351	341
Non-cash charitable contributions	1	1	2	2
Amortization of acquired intangibles	18	22	41	42
Acquisition and integration-related expenses	—	—	—	7
Amortization of debt issuance costs	1	1	2	2
Gain on early extinguishment of debt	(42)	—	(73)	—
Restructuring costs	17	—	24	—
Tax adjustment	(13)	—	(23)	—
Non-GAAP net income (loss)	\$ 56	\$ (16)	\$ 94	\$ (59)
Net margin	(20)%	(47)%	(21)%	(52)%
Non-GAAP net margin	10 %	(4)%	9 %	(7)%
Weighted-average shares used to compute net loss per share, basic and diluted	162,755	157,400	162,051	156,650
Non-GAAP weighted-average effect of potentially dilutive securities	15,987	—	15,430	—
Non-GAAP weighted-average shares used to compute non-GAAP net income (loss) per share, diluted	178,742	157,400	177,481	156,650
Net loss per share, basic and diluted	\$ (0.68)	\$ (1.34)	\$ (1.42)	\$ (2.89)
Non-GAAP net income (loss) per share, basic	\$ 0.34	\$ (0.10)	\$ 0.58	\$ (0.37)
Non-GAAP net income (loss) per share, diluted	\$ 0.31	\$ (0.10)	\$ 0.53	\$ (0.37)

OKTA, INC.

Reconciliation of GAAP to Non-GAAP Financial Measures

(dollars in millions)

(unaudited)

Free Cash Flow and Free Cash Flow Margin

We define free cash flow, a non-GAAP financial measure, as net cash provided by (used in) operating activities, less cash used for purchases of property and equipment, net of sales proceeds, and capitalized software. Free cash flow margin is calculated as free cash flow divided by total revenue.

In fiscal 2024, we updated our definition of free cash flow to include on-premise software purchases in addition to capitalized internal-use software costs within capitalized software.

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Net cash provided by (used in) operating activities	\$ 53	\$ (19)	\$ 182	\$ —
Less:				
Purchases of property and equipment	(2)	(2)	(2)	(7)
Capitalized software	(2)	(3)	(7)	(6)
Free cash flow	\$ 49	\$ (24)	\$ 173	\$ (13)
Net cash provided by (used in) investing activities	\$ 495	\$ 19	\$ 554	\$ (69)
Net cash provided by (used in) financing activities	\$ (315)	\$ 23	\$ (641)	\$ 28
Operating cash flow margin	10 %	(4)%	17 %	— %
Free cash flow margin	9 %	(5)%	16 %	(2)%