

okta

Proxy  
Statement  
and Annual  
Report



2021





**Okta, Inc.**  
**100 First Street, Suite 600**  
**San Francisco, California 94105**

**May 6, 2021**

Dear Okta Stockholder:

I am pleased to invite you to attend the 2021 Annual Meeting of Stockholders of Okta, Inc. to be held on June 17, 2021, at 9:00 a.m. Pacific Time. The Annual Meeting will be held virtually via a live interactive audio webcast on the internet. You will be able to listen, vote and submit your questions at [www.virtualshareholdermeeting.com/OKTA2021](http://www.virtualshareholdermeeting.com/OKTA2021) during the meeting.

Details regarding the meeting and the business to be conducted are more fully described in the accompanying Notice of 2021 Annual Meeting of Stockholders and Proxy Statement. We encourage you to vote at our Annual Meeting and any adjournments, continuations or postponements of our Annual Meeting if you were a stockholder as of the close of business on April 19, 2021.

Thank you for your ongoing support of Okta.

Sincerely,

A handwritten signature in black ink, appearing to read "Todd McKinnon", is written over a horizontal line.

Todd McKinnon  
*Chairperson of the Board of Directors and Chief Executive Officer*

### **YOUR VOTE IS IMPORTANT**

On or about May 6, 2021, we expect to mail to our stockholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access our proxy statement for our 2021 Annual Meeting of Stockholders and our 2021 Annual Report on Form 10-K. The Notice provides instructions on how to vote online or by telephone and explains how to receive a paper copy of proxy materials by mail. This Proxy Statement and our 2021 Annual Report can be accessed online at [www.proxyvote.com](http://www.proxyvote.com) using the control number located on the Notice, on your proxy card, or in the instructions that accompanied your proxy materials. Our 2021 Annual Report and Proxy Statement are also available on our investor relations website at [investor.okta.com](http://investor.okta.com).

Even if you plan to attend the Annual Meeting, please ensure that your shares are voted by signing and returning a proxy card or by using our internet or telephonic voting system.





**Okta, Inc.**  
**100 First Street, Suite 600**  
**San Francisco, California 94105**

**NOTICE OF 2021 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 17, 2021**

Notice is hereby given that Okta, Inc. will hold its 2021 Annual Meeting of Stockholders on June 17, 2021, at 9:00 a.m. Pacific Time via a live interactive audio webcast on the internet. You will be able to listen, vote and submit your questions at [www.virtualshareholdermeeting.com/OKTA2021](http://www.virtualshareholdermeeting.com/OKTA2021) during the meeting. We are holding the Annual Meeting for the following purposes, which are more fully described in the accompanying proxy statement:

- To elect two Class I directors to hold office until the 2024 Annual Meeting of Stockholders or until their successors are duly elected and qualified;
- To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending January 31, 2022;
- To conduct an advisory non-binding vote to approve the compensation of our named executive officers; and
- To transact any other business that properly comes before the Annual Meeting (including adjournments, continuations and postponements thereof).

Our board of directors recommends that you vote “FOR” the director nominees named in Proposal One, “FOR” the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm as described in Proposal Two, and “FOR” the approval, on an advisory non-binding basis, of the compensation of our named executive officers as described in Proposal Three.

We have elected to provide access to our Annual Meeting materials, which include the proxy statement for our 2021 Annual Meeting of Stockholders accompanying this notice, in lieu of mailing printed copies. On or about May 6, 2021, we expect to mail to our stockholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access our Proxy Statement and our 2021 Annual Report on Form 10-K. The Notice provides instructions on how to vote online or by telephone and explains how you can request a paper copy of the proxy materials. Our Proxy Statement and our 2021 Annual Report can be accessed online at [www.proxyvote.com](http://www.proxyvote.com) using the control number located on your Notice, on your proxy card, or in the instructions that accompanied your proxy materials.

Only stockholders of record at the close of business on April 19, 2021 are entitled to notice of and to vote at the Annual Meeting.

By Order of the Board of Directors,

A handwritten signature in black ink, appearing to read 'Jonathan T. Runyan', is written over a horizontal line.

Jonathan T. Runyan  
*General Counsel and Corporate Secretary*

San Francisco, California  
May 6, 2021



**OKTA, INC.**

**2021 ANNUAL MEETING OF STOCKHOLDERS  
PROXY STATEMENT**

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**Okta, Inc.**  
**100 First Street, Suite 600**  
**San Francisco, California 94105**

**PROXY STATEMENT**  
**FOR THE 2021 ANNUAL MEETING OF STOCKHOLDERS**  
**TO BE HELD JUNE 17, 2021**

**GENERAL INFORMATION**

Our board of directors solicits your proxy on our behalf for the 2021 Annual Meeting of Stockholders and at any adjournment, continuation or postponement of the Annual Meeting for the purposes set forth in this Proxy Statement for our 2021 Annual Meeting of Stockholders and the accompanying Notice of 2021 Annual Meeting of Stockholders. The Annual Meeting will be held virtually via a live interactive audio webcast on the internet on June 17, 2021, at 9:00 a.m. Pacific Time. On or about May 6, 2021, we mailed our stockholders a Notice of Internet Availability of Proxy Materials (the “Notice”) containing instructions on how to access this Proxy Statement and our 2021 Annual Report on Form 10-K. If you held shares of our Class A or Class B common stock on April 19, 2021, you are invited to attend the meeting at [www.virtualshareholdermeeting.com/OKTA2021](http://www.virtualshareholdermeeting.com/OKTA2021) and to vote on the proposals described in this Proxy Statement.

In this Proxy Statement, the terms “Okta,” “the company,” “we,” “us” and “our” refer to Okta, Inc. and its subsidiaries. The mailing address of our principal executive offices is Okta, Inc., 100 First Street, Suite 600, San Francisco, California 94105.

**How can I attend the Annual Meeting online?**

We will host our Annual Meeting via live webcast only. Any stockholder can attend the Annual Meeting live online at [www.virtualshareholdermeeting.com/OKTA2021](http://www.virtualshareholdermeeting.com/OKTA2021). The webcast will start at 9:00 a.m. Pacific Time on June 17, 2021. Stockholders may listen, vote and ask questions while attending the Annual Meeting online. To attend the Annual Meeting, you will need the 16-digit control number that is located on your Notice, on your proxy card, or in the instructions accompanying your proxy materials. Instructions on how to participate in the Annual Meeting are also posted online at [www.proxyvote.com](http://www.proxyvote.com).

**What matters are being voted on at the Annual Meeting?**

You will be voting on:

- The election of two Class I directors to serve until the 2024 Annual Meeting of Stockholders or until their successors are duly elected and qualified;
- A proposal to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending January 31, 2022;
- A proposal to approve, on an advisory non-binding basis, the compensation of our named executive officers; and
- Any other business as may properly come before the Annual Meeting.

**How does the board of directors recommend that I vote on these proposals?**

Our board recommends a vote:

- “**FOR**” the election of Todd McKinnon and Michael Stankey as Class I directors;
- “**FOR**” the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending January 31, 2022; and
- “**FOR**” the approval, on an advisory non-binding basis, of the compensation of our named executive officers, as disclosed in this Proxy Statement.

**Who is entitled to vote?**

Holders of either class of our common stock as of April 19, 2021, the record date for our Annual Meeting (the “Record Date”), may vote at the Annual Meeting.

As of the Record Date, there were 125,052,387 shares of our Class A common stock and 7,542,705 shares of our Class B common stock outstanding. Our Class A common stock and Class B common stock are collectively referred to in this Proxy Statement as our “common stock.” Our Class A common stock and Class B common stock will vote as a single class on all matters described in this Proxy Statement. Stockholders are not permitted to cumulate votes with respect to the election of directors. Each share of Class A common stock is entitled to one vote on each proposal and each share of Class B common stock is entitled to 10 votes on each proposal.

**Registered Stockholders.** If shares of our common stock are registered directly in your name with our transfer agent, Computershare, you are considered the “stockholder of record” with respect to those shares. As the stockholder of record, you have the right to vote online, by telephone, or—if you receive paper proxy materials by mail—by filling out and returning the proxy card.

**Street Name Stockholders.** If shares of our common stock are held on your behalf in a brokerage account or by a bank or other nominee, you are considered to be the beneficial owner of shares that are held in “street name” (*i.e.*, a “street name stockholder”) and the Notice was forwarded to you by your broker or nominee, who is considered the stockholder of record with respect to those shares. As the beneficial owner, you have the right to direct your broker, bank or other nominee as to how to vote your shares. If you are a beneficial owner, you may attend the Annual Meeting. However, since a beneficial owner is not the stockholder of record, you may not vote your shares of our common stock at the Annual Meeting unless you request and obtain a valid proxy from the organization that holds your shares giving you the right to vote at the meeting. If you request a printed copy of our proxy materials by mail, your broker, bank or other nominee will provide a voting instruction form for you to use.

**What is the quorum requirement?**

A quorum is the minimum number of shares required to be present to properly hold an Annual Meeting of Stockholders and conduct business under our bylaws and Delaware law. The presence, in person or by proxy, of a majority of the voting power of all issued and outstanding shares of our common stock entitled to vote on the Record Date will constitute a quorum at the Annual Meeting. Abstentions, withhold votes and broker non-votes are counted as shares present and entitled to vote for the purposes of determining a quorum.

**How many votes are needed for the approval of each proposal?**

**Proposal One.** The election of directors requires a plurality of the voting power of the shares of our common stock present in person or by proxy at the Annual Meeting and entitled to vote thereon to be approved. “Plurality” means that the nominees who receive the largest number of votes cast “For” such nominees are elected as directors. As a result, any shares not voted “For” a particular nominee (whether as a result of stockholder abstention or a broker non-vote) will not be counted in such nominee’s favor and will have no effect on the outcome of the election. You may vote “For” or “Withhold” on each of the nominees for election as a director.

**Proposal Two.** The ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending January 31, 2022 requires the affirmative vote of a majority of the voting power of the shares of our common stock present in person or by proxy at the Annual Meeting and entitled to vote thereon. Abstentions are considered shares present and entitled to vote on this proposal, and thus, will have the same effect as a vote “Against” this proposal. Broker non-votes will have no effect on the outcome of this proposal.

**Proposal Three.** The approval of the compensation of our named executive officers requires the affirmative vote of a majority of the voting power of the shares of our common stock present in person or by proxy at the Annual Meeting and entitled to vote thereon. Abstentions will have the same effect as a vote “Against” this proposal. Broker non-votes will have no effect on the outcome of this proposal.

**How do I vote?**

*If you are a stockholder of record*, there are four ways to vote:

- (1) by internet at [www.proxyvote.com](http://www.proxyvote.com), until 11:59 p.m. Eastern Time on June 16, 2021 (have your Notice or proxy card in hand when you visit the website);
- (2) by toll-free telephone at 1-800-690-6903, until 11:59 p.m. Eastern Time on June 16, 2021 (have your Notice or proxy card in hand when you call);
- (3) by completing and mailing your proxy card (if you received printed proxy materials); or
- (4) by internet during the Annual Meeting. Instructions on how to attend and vote at the Annual Meeting are described at [www.virtualshareholdermeeting.com/OKTA2021](http://www.virtualshareholdermeeting.com/OKTA2021).

In order to be counted, proxies submitted by telephone or internet must be received by 11:59 p.m. Eastern Time on June 16, 2021. Proxies submitted by U.S. mail must be received before the start of the Annual Meeting.

*If you are a street name stockholder*, please follow the instructions from your broker, bank or other nominee to vote by internet, telephone or mail. You may not vote during the Annual Meeting unless you receive a legal proxy from your broker, bank or other nominee.

**Can I change my vote?**

Yes. *If you are a stockholder of record*, you can change your vote or revoke your proxy by:

- notifying our Corporate Secretary, in writing, at Okta, Inc., 100 First Street, Suite 600, San Francisco, California 94105 before the vote is counted;
- voting again using the telephone or internet before 11:59 p.m. Eastern Time on June 16, 2021 (your latest telephone or internet proxy is the one that will be counted); or
- attending and voting during the Annual Meeting.

Simply logging into the Annual Meeting will not, by itself, revoke your proxy.

*If you are a street name stockholder*, you may revoke any prior voting instructions by contacting your broker, bank or other nominee.

**What is the effect of giving a proxy?**

Proxies are solicited by and on behalf of our board. Todd McKinnon, J. Frederic Kerrest, Michael Kourey and Jonathan T. Runyan have been designated as proxy holders by our board. If your proxy is properly granted, your shares represented by such proxy will be voted at the Annual Meeting in accordance with your instructions. If you do not give specific instructions, your shares will be voted in accordance with the recommendations of our board as described above. If any matters not described in this Proxy Statement are properly presented at the Annual Meeting, the proxy holders will use their own judgment to determine how to vote the shares. If the Annual Meeting is adjourned, continued or postponed, the proxy holders can vote your shares on the new Annual Meeting date as well, unless you revoke your proxy instructions, as described above.

**What is the effect of abstentions and broker non-votes?**

Votes withheld from any nominee, abstentions and “broker non-votes” (*i.e.*, where a broker has not received voting instructions from the beneficial owner and for which the broker does not have discretionary power to vote on a particular matter) are counted as present for purposes of determining the presence of a quorum, but otherwise have no effect on the election of directors. Abstentions have the same effect as a vote “Against” (i) the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending January 31, 2022 and (ii) the advisory non-binding approval of the compensation of our named executive officers.

Brokerage firms and other intermediaries holding shares of our common stock in street name for their customers are generally required to vote such shares in the manner directed by their customers. If you do not give timely voting instructions, your broker will have discretion to vote your shares on the proposal to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm but will not have discretion to vote on any other proposals.

**Where can I find the voting results of the Annual Meeting?**

We will announce preliminary results at the Annual Meeting. We will disclose final results by filing a Current Report on Form 8-K within four business days after the Annual Meeting. If final results are not available at that time, we will provide preliminary voting results in the Current Report on Form 8-K and then provide the final results in an amendment to that Current Report as soon as they become available.

**How are proxies solicited for the Annual Meeting?**

Our board is soliciting proxies for use at the Annual Meeting. All expenses associated with this solicitation will be borne by us. We will reimburse brokers or other nominees for reasonable expenses that they incur in sending our proxy materials to their customers who are beneficial owners of our common stock. In addition, our directors and employees may also solicit proxies in person, by telephone, or by other means of communication. Our directors and employees will not be paid any additional compensation for soliciting proxies.

**Why did I receive a Notice of Internet Availability of Proxy Materials instead of a full set of proxy materials?**

In accordance with the rules of the U.S. Securities and Exchange Commission (the “SEC”), we have elected to furnish our proxy materials, including this Proxy Statement and our 2021 Annual Report, primarily online. On or about May 6, 2021, we mailed to our stockholders a Notice that contains instructions on how to access our proxy materials electronically, how to vote at the meeting, and how to request printed copies of the proxy materials and 2021 Annual Report. The Notice explains how you can request to receive all future proxy materials in printed form by mail or electronically by email. We encourage stockholders to access our proxy materials online to help reduce the environmental impact of our annual meetings.

**I share an address with another stockholder, and we received only one paper copy of the proxy materials. How may I obtain an additional copy?**

As permitted by the SEC, we have adopted a procedure called “householding.” Under this procedure, we deliver a single copy of the Notice and, if applicable, our proxy materials to multiple stockholders who share the same address, unless we have received contrary instructions from one or more of such stockholders. Householding reduces our printing costs, mailing costs and fees, as well as our environmental impact. Stockholders who participate in householding will continue to be able to access and receive individual proxy cards. Upon written or oral request, we will deliver promptly a separate copy of the Notice and, if applicable, our proxy materials to any stockholder at a shared address to which we delivered a single copy of any of these materials. To receive a separate copy, or if you are receiving multiple copies and wish to participate in householding, please contact us at our principal office address:

Okta, Inc.  
Attention: Investor Relations  
100 First Street, Suite 600  
San Francisco, California 94105  
(415) 604-3346

Street name stockholders may contact their broker, bank or other nominee to request information about householding.

**What is the deadline to propose actions for consideration at next year’s Annual Meeting of Stockholders or to nominate individuals to serve as directors?**

**Stockholder Proposals**

Stockholders may present proper proposals for inclusion in our proxy statement and for consideration at next year’s Annual Meeting of Stockholders by submitting their proposals in writing to our Corporate Secretary at our principal office address shown above. To be considered for inclusion in our proxy statement for the 2022 Annual Meeting of Stockholders, our Corporate Secretary must receive the written stockholder proposal no later than January 6, 2022. In addition, stockholder proposals must comply with the requirements of SEC Rule 14a-8 regarding the inclusion of stockholder proposals in company-sponsored proxy materials. Stockholder proposals should be addressed to:

Okta, Inc.  
Attention: Corporate Secretary  
100 First Street, Suite 600  
San Francisco, California 94105

Our bylaws establish an advance notice procedure for stockholders who wish to present a proposal before an Annual Meeting of Stockholders but do not intend for the proposal to be included in our proxy statement. Our bylaws provide that the only business that may be conducted at an Annual Meeting of Stockholders is business that is (i) specified in our proxy materials with respect to such Annual Meeting of Stockholders, (ii) otherwise properly brought before such Annual Meeting of Stockholders by or at the direction of our board, or (iii) properly brought before such meeting by a stockholder of record entitled to vote at such Annual Meeting of Stockholders who has delivered timely written notice to our Corporate Secretary, which notice must contain the information specified in our bylaws. To be timely for the 2022 Annual Meeting of Stockholders, our Corporate Secretary must receive the written notice at our principal executive offices:

- not earlier than February 20, 2022, and
- not later than the close of business on March 22, 2022.

In the event we hold the 2022 Annual Meeting of Stockholders more than 30 days before or more than 60 days after the one-year anniversary of the 2021 Annual Meeting, then, for notice by the stockholder to be timely, it must be received by the Corporate Secretary not earlier than the close of business on the 120th day prior to such Annual Meeting and not later than the close of business on the later of the 90th day prior to such Annual Meeting or the tenth day following the day on which public announcement of the date of such Annual Meeting is first made.

If a stockholder who has notified us of his, her or its intention to present a proposal at an Annual Meeting of Stockholders does not appear to present his, her or its proposal at such Annual Meeting of Stockholders, we are not required to present the proposal for a vote at such Annual Meeting of Stockholders.

#### **Nomination of Director Candidates**

Holders of our common stock may propose director candidates for consideration by the nominating and corporate governance committee of our board (the “nominating committee”). Any such recommendation must include the nominee’s name and qualifications for membership on our board and be directed to our Corporate Secretary at the address set forth above. For additional information regarding stockholder recommendations for director candidates, see the section titled “Corporate Governance—Identifying and Evaluating Director Nominees—Stockholder Recommendations.”

In addition, our bylaws permit stockholders to nominate directors for election at an Annual Meeting of Stockholders. To nominate a director, you must provide the information required by our bylaws. In addition, you must give timely notice to our Corporate Secretary in accordance with our bylaws, which, in general, require that the notice be received by our Corporate Secretary within the time periods described above under the section titled “Stockholder Proposals” for stockholder proposals that are not intended to be included in a proxy statement.

#### **Availability of Bylaws**

A copy of our bylaws is included as Exhibit 3.2 to our 2021 Annual Report and available via the SEC’s website at [www.sec.gov](http://www.sec.gov). You may also contact our Corporate Secretary at the address set forth above for a copy of the relevant bylaw provisions regarding the requirements for making stockholder proposals and nominating director candidates.

#### **Why is this Annual Meeting being held virtually?**

We continue to embrace the latest technology to provide ease of access, real-time communication, and cost savings for our stockholders and our company. Hosting a virtual meeting makes it easy for our stockholders to participate from any location around the world.

You will be able to participate in the Annual Meeting of Stockholders online and submit your questions during the meeting by visiting [www.virtualshareholdermeeting.com/OKTA2021](http://www.virtualshareholdermeeting.com/OKTA2021). You also will be able to vote your shares electronically prior to or during the Annual Meeting.

#### **How can I submit a question at the Annual Meeting?**

If you want to submit a question during the Annual Meeting, log into [www.virtualshareholdermeeting.com/OKTA2021](http://www.virtualshareholdermeeting.com/OKTA2021), type your question in the “Ask a Question” field, and click “Submit.” Questions pertinent to meeting matters will be read and answered during the meeting, subject to time constraints. The questions and answers will be available as soon as practical after the Annual Meeting at [investor.okta.com](http://investor.okta.com) and will remain available for one week after posting.

#### **What if I have technical difficulties or trouble accessing the Annual Meeting?**

If you encounter any difficulties accessing the virtual meeting during the check-in or meeting time, please call the technical support number that will be posted on the Virtual Shareholder Meeting log in page. Technical support will be available starting at 8:30 a.m. Pacific Time on June 17, 2021 and will remain available until the Annual Meeting ends.

**PROPOSAL ONE:  
ELECTION OF DIRECTORS**

**Board Structure**

Our board is divided into three staggered classes of directors. One class is elected each year at the Annual Meeting of Stockholders for a term of three years. The term of the Class I directors expires at the Annual Meeting. The term of the Class II directors expires at the 2022 Annual Meeting of Stockholders and the term of the Class III directors expires at the 2023 Annual Meeting of Stockholders. Directors who are re-elected are expected to hold office for a three-year term or until the election and qualification of their successors in office.

**Nominees**

Our board has nominated Todd McKinnon and Michael Stankey for election as Class I directors to hold office until the 2024 Annual Meeting of Stockholders or until their successors are duly elected and qualified, subject to their earlier resignation or removal. Each of the nominees is a current Class I director and member of our board and has consented to serve if elected.

Unless you direct otherwise through your proxy voting instructions, the persons named as proxies will vote all proxies received **“FOR”** the election of each nominee. If any nominee is unable or unwilling to serve at the time of the Annual Meeting, the persons named as proxies may vote for a substitute nominee chosen by our present board. In the alternative, the proxies may vote only for the remaining nominees, leaving a vacancy on our board. Our board may fill such vacancy at a later date or reduce the size of our board. We have no reason to believe that any of the nominees will be unwilling or unable to serve if elected as a director.

**Recommendation of our Board**

**OUR BOARD RECOMMENDS THAT YOU VOTE “FOR” THE ELECTION OF EACH OF THE NOMINEES.**

The biographies of each of the nominees and continuing directors below contain information regarding each such person’s service as a director, business experience, director positions held currently or at any time during the last five years and the experiences, qualifications, attributes or skills that caused our board to determine that the person should serve as a director of the company. In addition to the information presented below regarding each nominee’s and continuing director’s specific experience, qualifications, attributes and skills that led our board to conclude that he or she should serve as a director, we believe that each of our directors has a reputation for integrity, honesty and high ethical standards. Each of our directors has demonstrated business acumen and an ability to exercise sound judgment, as well as a commitment of service to our company and our board. Finally, we value our directors’ experience in relevant areas of business management and on other boards of directors and board committees.

Our corporate governance guidelines dictate that a majority of our board must consist of directors whom our board has determined are “independent” under the listing requirements of the Nasdaq Stock Market LLC (the “Nasdaq”).

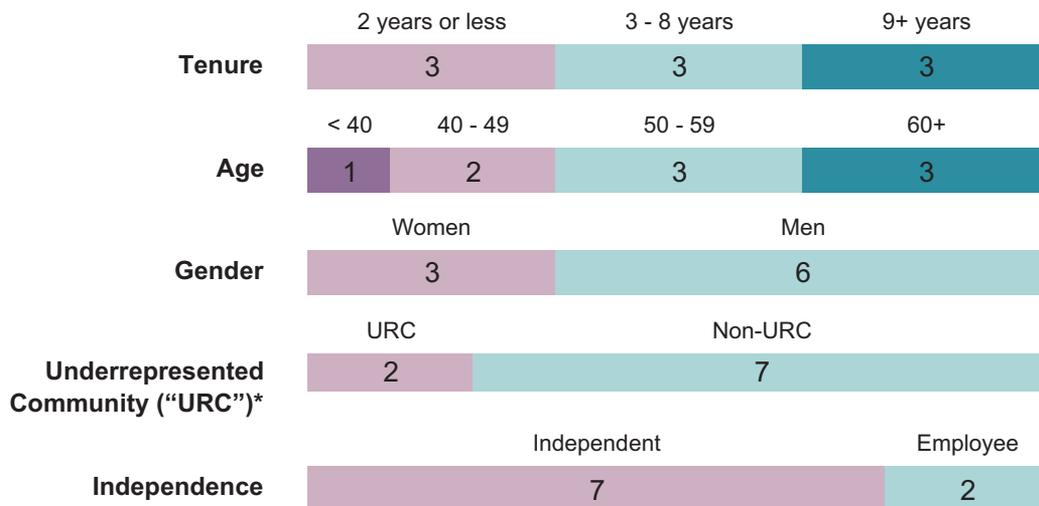
## Directors

The following table sets forth information regarding our directors as of April 19, 2021.

Name	Age	Director Since	Principal Occupation	Class	Audit Committee	Compensation Committee	Nominating Committee
<b>Employee Directors</b>							
Todd McKinnon, Chairperson	49	2009	Chief Executive Officer	I			
J. Frederic Kerrest, Executive Vice Chairperson	44	2009	Chief Operating Officer	II			
<b>Independent Directors</b>							
Shellye Archambeau	58	2018	Former Chief Executive Officer, MetricStream, Inc.	III	chair		
Robert L. Dixon, Jr.	65	2019	Former Global Chief Information Officer and Senior Vice President, PepsiCo, Inc.	III		member	
Patrick Grady	38	2014	Managing Member, Sequoia Capital	III	member		
Ben Horowitz, Lead Independent Director	54	2010	General Partner, Andreessen Horowitz	III			
Rebecca Saeger	66	2019	Former Executive Vice President and Chief Marketing Officer, Charles Schwab & Co., Inc.	II		member	member
Michael Stankey	62	2016	Vice Chairman, Workday, Inc.	I		chair	member
Michelle Wilson	58	2015	Former Senior Vice President and General Counsel, Amazon.com Inc.	II	member	member	chair

Our board believes that directors who provide a significant breadth of experience, knowledge and abilities in areas relevant to our business, while also representing a diversity of age, gender, race, sexual orientation and ethnicity, contribute to a well-balanced and effective board. Our board's current metrics are highlighted in the following graphic. Information about each individual director and director nominee follows.

### Diverse and Highly Qualified Board



\* As defined in California Assembly Bill 979

## Information Concerning Director Nominees

**Todd McKinnon.** Mr. McKinnon co-founded Okta and has served as our Chief Executive Officer (“CEO”) and as a member of our board since January 2009. Mr. McKinnon was appointed Chairperson of our board in February 2017. From October 2003 to February 2009, Mr. McKinnon served in various roles at salesforce.com, inc., a cloud-based customer relationship management company, most recently as Senior Vice President of Development. From 1995 to 2003, Mr. McKinnon held various engineering and leadership positions at Peoplesoft, Inc., an enterprise application software company, which was acquired by Oracle Corporation in January 2005. Mr. McKinnon holds a Master of Science in computer science from California Polytechnic State University, San Luis Obispo and a Bachelor of Science in management and information systems from Brigham Young University.

We believe that Mr. McKinnon is qualified to serve as a member of our board because of his experience and perspective as our CEO and co-founder.

**Michael Stankey.** Mr. Stankey joined our board in December 2016. Mr. Stankey currently serves as Vice Chairman at Workday, Inc., a financial and human capital management software vendor where, from September 2009 to June 2015, he served as President and Chief Operating Officer. Mr. Stankey also served as a member of the board of directors of Workday from June 2015 to April 2021. From October 2007 to September 2009, Mr. Stankey was an Operating Partner at Greylock Partners, a venture capital firm. From December 2001 to April 2007, Mr. Stankey served as Chairman and Chief Executive Officer at PolyServe, Inc., a database and file serving utility service. Since February 2017, Mr. Stankey has served as a member of the board of directors of Cloudera, Inc., a data management, machine learning and advance analytics platform provider. Mr. Stankey also serves on the boards of two private companies. Mr. Stankey holds a Bachelor of Business Administration from the University of Wisconsin-Eau Claire.

We believe that Mr. Stankey is qualified to serve as a member of our board because of his experience as a company executive and as a current and former director of many companies, and because of his knowledge of the industry in which we operate.

## Information Concerning Continuing Directors

**Shellye Archambeau.** Ms. Archambeau joined our board in December 2018. From 2002 until 2018, Ms. Archambeau was Chief Executive Officer of MetricStream, Inc., a leading provider of governance, risk, compliance and quality management solutions to corporations across diverse industries. Prior to that, Ms. Archambeau served as Chief Marketing Officer and Executive Vice President of Sales for Loudcloud, Inc., Chief Marketing Officer of NorthPoint Communications Group, Inc., and President of Blockbuster Inc.’s e-commerce division. Before she joined Blockbuster, she held domestic and international executive positions during a 15-year career at IBM. Ms. Archambeau has served on the boards of Nordstrom, Inc. since 2015, Verizon Communications Inc. since 2013, and Roper Technologies, Inc. since 2018. She formerly served on the board of Arbitron Inc. Ms. Archambeau holds a Bachelor of Science from the Wharton School of the University of Pennsylvania.

We believe that Ms. Archambeau is qualified to serve as a member of our board because of her valuable knowledge of technology, digital media and communications platforms and her experience serving on other boards.

**Robert L. Dixon, Jr.** Mr. Dixon joined our board in June 2019. Mr. Dixon has owned The RD Factor, Inc., a digital and information technology consulting business, since December 2016. Mr. Dixon served at PepsiCo, Inc., a global food and beverage company, as Global Chief Information Officer and Senior Vice President from 2007 through 2016. Previously, Mr. Dixon held various positions with The Procter & Gamble Company, a consumer household products company, since 1977, including Vice President of Global Business Services. Mr. Dixon has served on the boards of Anthem, Inc., a health benefits company, since 2011, and Build-A-Bear Workshop, Inc., a specialty retailer, since February 2018. At the Georgia Institute of Technology, Mr. Dixon serves on the President’s Advisory Board, the College of Engineering Advisory Board and the College of Computing Advisory Board. He previously served on the CIO Advisory Board for IBM. Mr. Dixon holds a Bachelor of Science in electrical engineering from the Georgia Institute of Technology.

We believe that Mr. Dixon is qualified to serve as a member of our board because he brings valuable technology experience and the perspective of our customers through his prior role as Global Chief Information Officer and his service on the CIO advisory board for another large public company.

**Patrick Grady.** Mr. Grady joined our board in May 2014. Since March 2007, Mr. Grady has held various roles at Sequoia Capital, a venture capital firm, where he currently serves as a Managing Member. From July 2004 to February 2007, Mr. Grady served as an associate at Summit Partners, a venture capital and private equity firm. Since January 2013, Mr. Grady has served as a member of the board of directors of Prosper Marketplace, Inc., a peer-to-peer lending platform. Mr. Grady also currently serves on the boards of several private companies. Mr. Grady holds a Bachelor of Science in economics and finance from Boston College.

We believe that Mr. Grady is qualified to serve as a member of our board because of his significant knowledge of and history with our company, his experience as a seasoned investor and as a current and former director of many companies, and his knowledge of the industry in which we operate.

**Ben Horowitz.** Mr. Horowitz joined our board in February 2010. Mr. Horowitz is a co-founder and has served as a General Partner of Andreessen Horowitz, a venture capital firm, since July 2009. From September 2007 to October 2008, Mr. Horowitz served as a Vice President and General Manager at Hewlett-Packard Company, an information technology company. From September 1999 to September 2007, Mr. Horowitz co-founded and served as the President and Chief Executive Officer of Opsware Inc., a computer software company. From June 2016 to June 2020, Mr. Horowitz served as a member of the board of directors of Lyft, Inc., which operates a multimodal transportation network. Mr. Horowitz also currently serves on the boards of several private companies. Mr. Horowitz holds a Master of Science in computer science from the University of California, Los Angeles and a Bachelor of Arts in computer science from Columbia University.

We believe that Mr. Horowitz is qualified to serve as a member of our board because of his significant knowledge of and history with our company; his experience as a company executive, a seasoned investor, and a current and former director of many companies; and his knowledge of the industry in which we operate.

**J. Frederic Kerrest.** Mr. Kerrest co-founded Okta and has served as our Chief Operating Officer (“COO”) and as a member of our board since July 2009. Mr. Kerrest was appointed Executive Vice Chairperson of our board in March 2019. From August 2002 to February 2007, Mr. Kerrest served in a variety of sales and business development roles at salesforce.com, inc., a cloud-based customer relationship management company. Mr. Kerrest holds a Masters in Business Administration from the MIT Sloan School of Management and a Bachelor of Science in computer science from Stanford University.

We believe that Mr. Kerrest is qualified to serve as a member of our board because of his experience and perspective as our COO and co-founder.

**Rebecca Saeger.** Ms. Saeger joined our board in January 2019. Ms. Saeger served as an Executive Vice President at Charles Schwab & Co., Inc. from 2004 until 2011, most recently as Chief Marketing Officer. Prior to joining Charles Schwab, she served as Executive Vice President, Marketing at Visa U.S.A. Before joining Visa, Ms. Saeger was Senior Vice President and head of Account Management at Foote, Cone & Belding, and Senior Vice President at Ogilvy & Mather. From February 2012 to October 2020, Ms. Saeger served on the board of directors of E\*TRADE Financial Corporation, a financial services company, and as a member of the E\*TRADE Bank board. She holds a Bachelor of Arts from Muhlenberg College and a Masters in Business Administration from the Wharton School of the University of Pennsylvania.

We believe that Ms. Saeger is qualified to serve as a member of our board because of her valuable expertise in consumer and business-to-business marketing, strategic planning and brand development, as well as her experience serving on other boards.

**Michelle Wilson.** Ms. Wilson joined our board in August 2015. From 1999 to 2012, Ms. Wilson served as Senior Vice President and General Counsel, and held a variety of other senior roles, at Amazon.com Inc., an electronic commerce and cloud computing company. Prior to Amazon.com, Ms. Wilson was a Partner at Perkins Coie LLP, a law firm. Ms. Wilson has served on the boards of Zendesk, Inc., a software development company that provides a SaaS customer service platform, since 2014, and of Pinterest, Inc., a visual discovery engine, since May 2016. Ms. Wilson is not standing for re-election to Pinterest’s board at its 2021 annual meeting of stockholders. Ms. Wilson holds a Juris Doctor from University of Chicago and a Bachelor of Arts in finance from University of Washington.

We believe that Ms. Wilson is qualified to serve as a member of our board because of her experience as a public company board member, her experience as a public company executive officer with primary responsibility for advising on legal and corporate governance issues, her extensive experience advising an internet services company, and her knowledge of the industry in which we operate.

## CORPORATE GOVERNANCE

Our business and affairs are managed under the direction of our board, which is elected by our stockholders. In carrying out its responsibilities, our board selects and monitors our top management, provides oversight of our financial reporting processes, and determines and implements our corporate governance policies.

Our board and management team are committed to good corporate governance to ensure that Okta is managed for the long-term benefit of our stockholders, and we have a variety of policies and procedures to promote such goals. To that end, during the past year, our management periodically reviewed our corporate governance policies and practices to ensure that they remain consistent with the requirements of the Sarbanes-Oxley Act of 2002, SEC rules and Nasdaq listing standards.

Besides verifying the independence of the members of our board and committees (as discussed below under “Independence of Our Board”), at the direction of our board, we also:

- Periodically review and make necessary changes to the charters for our audit, compensation and nominating committees;
- Have established disclosures control policies and procedures in accordance with the requirements of the Sarbanes-Oxley Act of 2002 and the rules and regulations of the SEC;
- Have a procedure to receive and address anonymous and confidential complaints or concerns regarding audit or accounting matters; and
- Have a code of conduct that applies to our employees, officers and directors, including our CEO, Chief Financial Officer (“CFO”) and other executive and senior financial officers.

### Corporate Governance Guidelines

Our board has adopted a set of corporate governance guidelines, which can be found on our investor relations website at [investor.okta.com](http://investor.okta.com) under “Responsibility and Governance—Governance Overview.” Our corporate governance guidelines address such matters as:

- Director independence—-independent directors must constitute at least a majority of our board;
- Board effectiveness—our board and each of its committees must conduct an annual self-evaluation;
- Access to independent advisors—our board as a whole, and each of its committees separately, has authority to retain independent experts, advisors or professionals as each deems necessary or appropriate; and
- Board committees—all members of the audit, compensation and nominating committees are independent in accordance with applicable Nasdaq criteria.

Our nominating committee is responsible for reviewing our corporate governance guidelines from time to time and reporting and making recommendations to our board concerning corporate governance matters.

### Code of Conduct

Our board has adopted a code of conduct that applies to all of our employees, officers and directors, including our CEO, CFO and other executive and senior financial officers. The full text of our code of conduct is available on our investor relations website at [investor.okta.com](http://investor.okta.com) under “Responsibility and Governance—Governance Overview.” We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding amendments to, or waivers from, a provision of our code of conduct by posting such information on our Governance Overview web page. During the fiscal year ended January 31, 2021 (“fiscal 2021”), no waivers were granted from any provision of the code of conduct.

### Independence of Our Board

Our Class A common stock is listed on Nasdaq. Under the Nasdaq listing standards, independent directors must constitute a majority of a listed company’s board. In addition, the Nasdaq listing standards require that, subject to specified exceptions, each member of a listed company’s audit, compensation and nominating

committees be independent. Under the Nasdaq listing standards, a director will only qualify as an “independent director” if, in the opinion of that listed company’s board of directors, that director does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Audit committee members must also satisfy the additional independence criteria set forth in Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and the Nasdaq listing standards. Compensation committee members must also satisfy the additional independence criteria set forth in Rule 10C-1 under the Exchange Act and the Nasdaq listing standards.

Our board has undertaken a review of the independence of each director. Based on information provided by each director concerning his or her background, employment and affiliations, our board has determined that Ms. Archambeau, Mr. Dixon, Mr. Grady, Mr. Horowitz, Ms. Saeger, Mr. Stankey and Ms. Wilson do not have any relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, and that each of these directors is “independent” as that term is defined under the applicable rules and regulations of the SEC and the Nasdaq listing standards. The board also previously determined that Mr. Kourey, who served on our board prior to becoming our CFO in March 2021, was “independent” under the applicable rules and regulations of the SEC and the Nasdaq listing standards. In making these determinations, our board considered the current and prior relationships that each non-employee director has with our company and all other facts and circumstances our board deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director and any of their affiliated funds, and any transactions involving them described in the section titled “Certain Relationships and Related Party Transactions.”

### **Board Leadership Structure and Role of Our Lead Independent Director**

Mr. McKinnon, our co-founder and CEO, serves as Chairperson of our board. In that capacity, he presides over meetings of our board and holds such other powers and carries out such other duties as are customarily carried out by a board chairperson. Mr. Kerrest, our co-founder and COO, serves as Executive Vice Chairperson of our board. Mr. McKinnon and Mr. Kerrest bring valuable insight to our board due to their perspective and experience as Okta’s co-founders and senior executives.

Our corporate governance guidelines provide that one of our independent directors will serve as the lead independent director. Our board has appointed Mr. Horowitz to serve as lead independent director. In that capacity, Mr. Horowitz presides over periodic meetings of our independent directors, serves as a liaison between the Chairperson of our board and the independent directors, and performs such additional duties as our board may otherwise determine and delegate.

### **Our Board’s Role in Risk Oversight**

Risk is inherent in every business and we face a number of risks, including, among others, strategic, financial, business and operational, macroeconomic, cybersecurity, legal and regulatory compliance and reputational risks. We have designed and implemented processes to manage risk in our operations, including our enterprise risk management program.

Our management team is responsible for the day-to-day management of risks the company faces, while our board, as a whole and assisted by its committees, has responsibility for the oversight of risk management, including our enterprise risk management program. In its risk oversight role, our board has the responsibility to satisfy itself that the enterprise risk management processes our management team has designed and implemented are appropriate and functioning as designed. To that end, our board believes that open communication between our management team and our board is essential for effective risk management and oversight. Our CEO and other members of the senior management team attend quarterly meetings of our board, as well as such other meetings as the board deems appropriate, where, among other topics, they discuss strategy and risks facing the company. In this respect, our full board reviews strategic and operational risk in the context of reports from our management team, receives reports on all significant committee activities at each regular meeting, and evaluates the risks inherent in significant transactions and events.

For example, our board has been and remains highly engaged with our management team regarding the impact of the COVID-19 pandemic and provided regular oversight of our response and risk mitigation strategies.

Our board has reviewed and discussed with our management team on a regular basis the pandemic's impact on our employees, operations, business and communities, as well as strategies and initiatives to respond to and mitigate potential risks.

While our board is ultimately responsible for risk oversight, our board committees help fulfill those oversight responsibilities in certain areas of risk, as described below.

***Our audit committee*** assists our board in fulfilling its oversight responsibilities with respect to risk management in the areas of internal control over financial reporting and disclosure controls and procedures, legal and regulatory compliance, liquidity risk and cybersecurity. Our audit committee discusses with our management team and Ernst & Young LLP guidelines and policies with respect to risk assessment and risk management and reviews our major financial risk exposures and the steps our management team has taken to monitor and control these exposures. Our audit committee also monitors certain key risks on a regular basis, such as risk associated with internal control over financial reporting and liquidity risk.

***Our compensation committee*** assesses risks created by the incentives inherent in our compensation policies. Specifically, the compensation committee, along with our management team, at least annually considers potential risks when reviewing and approving various compensation plans, including executive compensation. Based on its most recent review, our compensation committee has concluded that our compensation programs, including our executive compensation program, do not encourage risk taking to a degree that is reasonably likely to have a materially adverse impact on Okta or our operations.

***Our nominating committee*** assists our board in fulfilling its oversight responsibilities with respect to the management of risk associated with our board's organization, membership and structure, and corporate governance.

### **Meetings of Our Board and Annual Meeting Attendance**

Our board held seven meetings during fiscal 2021. Each director attended at least 75% of all meetings of our board and the committees on which he or she served that were held during fiscal 2021. Under our corporate governance guidelines, directors are expected to spend the time needed and meet as frequently as our board deems necessary or appropriate to discharge their responsibilities. Directors are also expected to make efforts to attend our Annual Meeting of Stockholders, all meetings of our board, and all meetings of the committees on which they serve. All directors then in office attended the 2020 Annual Meeting of Stockholders.

### **Committees of Our Board**

Our board has established three standing committees: audit, compensation, and nominating. The composition and responsibilities of each committee are described below. Members serve on these committees until they resign or until otherwise determined by our board. Our board assesses the composition of the committees at least annually to consider whether committee assignments should be rotated. Each committee operates pursuant to a written charter adopted by our board that is available on our website at [investor.okta.com/corporate-governance/governance-overview](http://investor.okta.com/corporate-governance/governance-overview).

#### ***Audit Committee***

During fiscal 2021, our audit committee consisted of Ms. Archambeau and Wilson and Mr. Grady, with Ms. Archambeau serving as Chairperson. Mr. Kourey served as a member and Chairperson of the audit committee until December 2020, when Ms. Archambeau began serving as Chairperson and Ms. Wilson joined the committee. The composition of our audit committee meets the requirements for independence under current Nasdaq listing standards and SEC rules and regulations. Each member of our audit committee meets the financial literacy requirements of the Nasdaq listing standards. In addition, our board has determined that Ms. Archambeau and Mr. Kourey each are audit committee financial experts within the meaning of Item 407(d) of Regulation S-K under the Securities Act of 1933, as amended (the "Securities Act"). Our audit committee, among other things:

- selects a qualified firm to serve as the independent registered public accounting firm to audit our financial statements;
- discusses the scope and results of the audit with the independent registered public accounting firm, and reviews, with our management team and the independent registered public accounting firm, our interim and year-end results of operations;

- develops procedures for employees to submit concerns anonymously about questionable accounting or audit matters;
- reviews our policies on risk assessment and risk management;
- reviews related party transactions; and
- approves (or, as permitted, pre-approves) all audit and all permissible non-audit services, other than de minimis non-audit services, to be performed by the independent registered public accounting firm.

Our audit committee annually reviews the independent registered public accounting firm's performance and independence, including reviewing all relationships between the independent registered public accounting firm and Okta and any disclosed relationships or services that may impact the objectivity and independence of the independent registered public accounting firm.

Our audit committee operates under a written charter that satisfies the applicable rules of the SEC and the Nasdaq listing standards. Our audit committee held eight meetings during fiscal 2021.

### ***Compensation Committee***

During fiscal 2021, our compensation committee consisted of Messrs. Dixon and Stankey and Mses. Saeger and Wilson, with Mr. Stankey serving as Chairperson. The composition of our compensation committee meets the requirements for independence under the Nasdaq listing standards and SEC rules and regulations. Each member of our compensation committee is also a non-employee director, as defined pursuant to Rule 16b-3 promulgated under the Exchange Act. The purpose of our compensation committee is to discharge the responsibilities of our board relating to the compensation of our executive officers. Our compensation committee, among other things:

- reviews, approves and determines, or makes recommendations to our board regarding, the compensation of our executive officers;
- administers our equity incentive plans;
- reviews and approves, or makes recommendations to our board regarding, incentive compensation and equity plans; and
- establishes and reviews general policies relating to the compensation and benefits offered to our employees.

Our compensation committee operates under a written charter that satisfies the applicable rules of the SEC and the Nasdaq listing standards. Our compensation committee held seven meetings during fiscal 2021.

### ***Compensation Committee Interlocks and Insider Participation***

During fiscal 2021, Messrs. Dixon and Stankey and Mses. Saeger and Wilson were the only members of our compensation committee. No member of our compensation committee is or has been an officer or employee of our company. No Okta executive officer currently serves, or in the past year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board or compensation committee. See the section titled "Certain Relationships and Related Party Transactions" for information about related party transactions involving members of our compensation committee or their affiliates.

### ***Nominating Committee***

During fiscal 2021, our nominating committee consisted of Mses. Saeger and Wilson and Mr. Stankey, with Ms. Wilson serving as Chairperson. The composition of our nominating committee meets the requirements for independence under the Nasdaq listing standards and SEC rules and regulations. Our nominating committee, among other things:

- identifies, evaluates and selects, or makes recommendations to our board regarding, nominees for election to our board and its committees;
- evaluates the performance of our board and its committees;

- considers and makes recommendations to our board regarding the composition of our board and its committees;
- reviews developments in corporate governance practices;
- reviews our environmental, social and governance (“ESG”) programs and public disclosures;
- evaluates the adequacy of our corporate governance practices and reporting; and
- develops and makes recommendations to our board regarding our corporate governance guidelines.

Our nominating committee operates under a written charter that satisfies the applicable listing requirements and rules of Nasdaq. Our nominating committee held four meetings during fiscal 2021.

### **Identifying and Evaluating Director Nominees**

Our board has delegated to our nominating committee the responsibility of identifying suitable candidates to nominate to our board (including candidates to fill any vacancies that may occur) and assessing their qualifications in light of the policies and principles in our corporate governance guidelines and the committee’s charter. Our nominating committee may gather information about candidates through interviews, detailed questionnaires, comprehensive background checks, or any other means its members deem appropriate. Our nominating committee then meets as a group to discuss and evaluate the qualities and skills of each candidate, both on an individual basis and taking into account the overall composition and needs of our board. Based on the results of the evaluation process, our nominating committee recommends candidates for our board’s approval as director nominees for election to our board.

### ***Minimum Qualifications***

Our nominating committee uses a variety of methods for identifying and evaluating director nominees and will consider all facts and circumstances that it deems appropriate or advisable. As part of this process, our nominating committee will consider the current size and composition of our board, as well as the needs of our board and its committees.

Some of the qualifications that our nominating committee considers include, without limitation, issues of character, ethics, integrity, judgment, independence, diversity, skills, education, expertise, business acumen, length of service, understanding of our business and industry and other commitments. In addition, nominees must have proven achievement and competence in their respective fields, the ability to exercise sound business judgment, an objective perspective, the ability to offer advice and support to our management team, and the ability to make significant contributions to Okta’s success. The nominating committee looks for individuals who have skills that are complementary to those of our existing board, the highest ethics, a commitment to the long-term interests of our stockholders, and an understanding of the fiduciary responsibilities of a public company director. Finally, nominees must have sufficient time available in the judgment of our nominating committee to effectively perform all board and committee responsibilities. Members of our board are expected to prepare for, attend and participate in all board and applicable committee meetings. Other than the foregoing, there are no stated minimum criteria for director nominees, although our nominating committee may also consider other factors that it deems, from time to time, to be in the best interests of Okta and our stockholders. After completing its review and evaluation of director candidates, our nominating committee recommends to our full board the director nominees for selection.

### ***Stockholder Recommendations***

Stockholders may submit recommendations for director candidates to our nominating committee by writing to our Corporate Secretary at Okta, Inc., 100 First Street, Suite 600, San Francisco, California 94105. All such recommendations should include the nominee’s name and qualifications and all other information required by our bylaws. Our nominating committee will evaluate any candidates properly recommended by stockholders against the same criteria and pursuant to the same policies and procedures that govern the evaluation of candidates proposed by directors or members of our management team.

## Stockholder Outreach

With oversight and direction from the nominating committee, we conduct an annual stockholder outreach program to better understand stockholder perspectives and actively seek stockholder feedback on our board, governance, sustainability and executive compensation practices. In fiscal 2021, we contacted our top 30 institutional stockholders, which represented over 58% of our outstanding common stock, or over 62% of our shares of outstanding common stock excluding shares held by our executive officers and board members, and engaged in extensive discussions with several of our largest stockholders. In this regard, our team met with governance professionals from passive funds as well as portfolio managers from active funds. We received many supportive and positive comments on our direction with respect to our business, ESG initiatives, board composition and executive compensation program. The breadth of our outreach program enabled us to gather feedback from a significant cross-section of our stockholder base. We will continue to engage with stockholders to maintain an open dialogue and ensure that we have an in-depth understanding of our stockholders' perspectives.

## Stockholder Communications

All stockholders and other interested parties are welcome to communicate with our board as a whole or with individual directors through an established process for stockholder communication. For a communication directed to our board as a whole, please contact our General Counsel in writing at the address listed below or by email to [investor@okta.com](mailto:investor@okta.com) (specifying "ATTN General Counsel" in the subject line). For a communication directed to an individual director in his or her capacity as a member of our board, please contact the director in writing at the address listed below or by email to [investor@okta.com](mailto:investor@okta.com) (specifying "ATTN [name of director]" in the subject line).

Okta, Inc.  
100 First Street, Suite 600  
San Francisco, California 94105  
Attn: [General Counsel or Name of Individual Director]

Our General Counsel, in consultation with appropriate members of our board as necessary, will review all incoming communications and, if appropriate, will forward such communications to the appropriate director(s) or to the Chairperson of our board. The General Counsel will generally not forward communications if they are deemed inappropriate; if they are solicitations, advertisements, surveys, "junk" mail or mass mailings; or if they consist of individual grievances or other interests that are personal to the writer and could not reasonably be construed to be of concern to securityholders or other constituencies of the company.

## Environmental, Social and Governance Matters

We believe we have a long-term responsibility to maximize benefits to our society, the environment, and all of our stakeholders, including our stockholders, employees, customers and communities. We maintain that operating our company in an environmentally and socially responsible manner will help drive our long-term growth. We take that responsibility seriously, and lead Okta with the conviction that how we build the future is as important as what we build. To that end, our ESG efforts are led by our executive leadership team and are reviewed by the board's nominating and corporate governance committee.

In May 2020, we publicly launched our ESG program. We worked with external experts and internal stakeholders to help define our most material issues, which form the foundation for our ESG program. We organized our top material issues into three categories:

- Protecting our customers;
- Investing in our people; and
- Supporting our communities.

### *Protecting our Customers*

Our customers trust us to safely connect people to technology by making it highly available and secure. They benefit from a service designed, built, maintained and monitored to meet the rigorous confidentiality, integrity and availability requirements of the most security-sensitive organizations and industries. Privacy and security are interdependent and we attach prime importance to both. Protecting individuals' privacy is at the foundation of everything we do and is pivotal to our customers trusting us as their identity provider.

### *Investing in Our People*

Our core values—love our customers, never stop innovating, act with integrity, be transparent and empower our people—inform and guide our human capital initiatives and objectives. In order to continue to innovate and drive customer success, it is crucial that we continue to attract, develop and retain exceptional talent. To that end, we strive to make Okta a diverse and inclusive workplace, with opportunities for our employees to grow and develop in their careers, supported by fair and competitive compensation, benefits and wellness programs, and by initiatives that foster connections between and among our employees and their communities.

We encourage you to review the “Diversity, Inclusion and Belonging,” “Responsibility,” “Careers” and “Okta for Good” pages of our website at [www.okta.com](http://www.okta.com) for more detailed information regarding our human capital programs and initiatives. The information contained on, or that can be accessed through, our website is not incorporated by reference into this Proxy Statement.

### *Diversity, Inclusion and Belonging*

We are committed to fostering a culture of inclusion and belonging, and to building a diverse workforce to drive innovation and collective growth, which we believe is critical to our success. Over the past few years, we have prioritized our diversity, inclusion and belonging (“DIB”) program at Okta. Our DIB initiatives – spearheaded by our DIB department, Inclusion Council and employee resource groups, in partnership with various other teams – focus on DIB in our workforce, in our workplace and in the community.

We employ inclusive recruitment and hiring practices to source diverse talent and mitigate potential bias throughout the hiring process. We also continue to recruit from a broad range of colleges and engage with organizations that support diverse students and jobseekers through our social impact arm, Okta for Good.

Additional information on our diversity, inclusion and belonging strategy, diversity metrics and programs can be found in our State of Inclusion at Okta Annual Report located on our website at [www.okta.com/state-of-inclusion-at-okta](http://www.okta.com/state-of-inclusion-at-okta).

### *Growth and Development*

We invest significant resources to develop talent and actively foster a learning culture where employees are empowered to drive their personal and professional growth. We offer extensive onboarding and training programs to prepare our employees at all levels for career progression and individual development.

### *Compensation, Benefits and Wellness*

We provide robust compensation, benefits and wellness programs that help support the varying needs of our employees. In addition to market-competitive base pay, short-term bonus incentives and long-term equity incentives, our total rewards program includes comprehensive employee benefits and a variety of other health and wellness resources. We are committed to fair compensation and opportunity in our workplace.

### *Dynamic Work*

We help our employees succeed by providing flexibility in where and how they work. Over the past few years, we introduced and began transitioning our workforce to a “Dynamic Work” framework, based on the premise that enabling our employees to work from anywhere can increase employee empowerment, satisfaction and productivity, drive efficiency and enable us to hire from a broader, more diverse pool of talent. In response to the COVID-19 pandemic, we accelerated our move to Dynamic Work to protect the health, safety and wellness of our employees.

## *COVID-19 Pandemic Response and Action*

Our response to the COVID-19 pandemic demonstrated the resiliency of our company and employees in the face of a global health crisis. Our guiding principles in responding to the COVID-19 pandemic were to protect the health and safety of our employees, to support our customers through the challenges the pandemic posed to their workforces and businesses, and to support our communities.

First and foremost, we prioritized the health, safety and well-being of our employees. We immediately transitioned nearly all of our employees to a remote-work model, while implementing enhanced safety protocols for employees continuing critical on-site work. We also took a series of steps to provide our employees with additional assistance and benefits to support them and their families during the pandemic and help with work/life balance while working from home.

We supported our customers by offering our core services for free to new customers through our Emergency Remote Work Program, and accelerating customer deployments to transition remote workforces necessitated by the COVID-19 pandemic. To keep our customers healthy and safe, we transitioned all of our in-person customer events, including Oktane and Okta Showcase, to virtual-only experiences.

We also worked with our communities and non-profit partners to support COVID-19 prevention and response efforts by providing rapid response grants and matching funds through our social impact arm, as well as secure identity and access management tools for organizations around the world to enable secure collaboration during crisis response.

## *Supporting our Communities*

The mission of our social impact arm, Okta for Good, is to strengthen the connections between people, technology and community. We do this by mobilizing our most important assets, our employees, products and funding, in service of our global communities. Okta for Good's core focus areas are:

- Developing technology for good ecosystems;
- Expanding economic opportunity and pathways into the technology sector;
- Supporting non-profits addressing critical needs in our global communities; and
- Empowering our employees to become changemakers.

Through Okta for Good, which is a part of our company and not a separate legal entity, we donate and discount access to our service for non-profit organizations, who use the Okta Identity Cloud to make their teams more efficient, allowing them to focus on making a meaningful impact in the world. Our employee volunteer program enables global team members to donate time to support charitable organizations worldwide. For more information, please view our Okta for Good Impact Report at [www.okta.com/okta-for-good/impact-report](http://www.okta.com/okta-for-good/impact-report).

In addition, prior to our initial public offering in April 2017, we reserved 300,000 shares of our common stock to fund and support the operations of Okta for Good, of which 195,000 shares of our Class A common stock remain reserved for future issuances.

## *Environmental Sustainability*

We have a long-term commitment to climate action. In August 2020, we completed our first greenhouse gas ("GHG") emissions analysis conducted by a third-party consultant and in accordance with industry best practices. Measuring and setting an emissions baseline is an instrumental first step in helping us define sustainability goals and strategies going forward, which include increasing our use of renewable energy and reducing our overall carbon footprint.

In April 2021, we committed to achieving 100% renewable electricity for our global real estate footprint by 2022, which marks a critical step in our journey to reduce GHG emissions and take long-term action on climate change. While we do not own real estate, our dual headquarter buildings are LEED Gold certified and contain efficient technology, such as carbon-free heating and smart lighting, reducing our costs and environmental impact. As part of our commitment to becoming a sustainable company, starting in January 2021, all new Okta offices will be at least LEED Silver and WELL Silver certified.

## Non-Employee Director Compensation

Our non-employee director compensation program is designed to attract, retain and reward qualified directors and further align the financial interests of our non-employee directors with those of our stockholders. The compensation committee is responsible for reviewing and making recommendations to the board regarding compensation paid to non-employee directors for their board and board committee service. Periodically, the compensation committee reviews our non-employee director compensation program, receiving input from the compensation committee's independent compensation consultant regarding market practices and the competitiveness of our non-employee director compensation program in relation to the general market and our peer group. The compensation committee last reviewed our non-employee director compensation program in June 2020 and did not recommend any changes to the board.

Under our non-employee director compensation program, non-employee directors receive initial equity grants when they join the board, and annual cash retainers and equity grants for their continued annual service. We also reimburse all reasonable out-of-pocket expenses incurred by directors in order to attend meetings of our board or any committee thereof.

When first appointed to our board, non-employee directors are granted restricted stock units ("RSUs") having a fair market value of \$350,000 on the date of grant. These initial RSU grants will vest in equal annual installments on the first three anniversaries of the date on which the non-employee director was appointed to our board, subject to continuous service.

Non-employee directors receive the following annual cash retainers for their service:

<b>Position</b>	<b>Annual Cash Retainer</b>
Board Member	\$30,000
Lead Independent Director	\$20,000
Audit Committee Chair	\$20,000
Compensation Committee Chair	\$15,000
Nominating Committee Chair	\$ 8,000
Audit Committee Member other than Chair	\$10,000
Compensation Committee Member other than Chair	\$ 7,500
Nominating Committee Member other than Chair	\$ 4,000

In addition, on the date of each Annual Meeting of Stockholders, each non-employee director who will continue as a non-employee director following such meeting will be granted RSUs having a fair market value of \$200,000 on the date of grant. These annual RSU grants will fully vest on the earlier of the first anniversary of the grant date or immediately prior to the next Annual Meeting of Stockholders, subject to continuous service.

Under our non-employee director compensation program, all RSUs granted to non-employee directors will be settled for shares of our Class A common stock. The non-employee director compensation program provides that these RSUs are subject to full accelerated vesting upon the sale of our company in a Sale Event (as defined in our 2017 Equity Incentive Plan, as amended (the "2017 Plan")).

The following table presents the total compensation for each person who served as a non-employee director during fiscal 2021. Other than as set forth in the table below, we did not pay any compensation or make any equity awards to our non-employee directors during fiscal 2021. Messrs. McKinnon and Kerrest, who were also our employees, received no compensation for their service as directors. The compensation received by Mr. McKinnon as CEO and by Mr. Kerrest as COO is presented in “Executive Compensation—Fiscal 2021 Summary Compensation Table” below.

### Fiscal 2021 Director Compensation Table

Name	Fees Earned or Paid In Cash (\$)	Stock Awards (\$) <sup>(1)(2)</sup>	Total (\$)
Shellye Archambeau	41,685	200,138	241,823
Robert L. Dixon, Jr.	37,500	200,138	237,638
Patrick Grady	40,000	200,138	240,138
Ben Horowitz	50,000	200,138	250,138
Michael Kourey <sup>(3)</sup>	46,630	200,138	246,768
Rebecca Saeger	41,500	200,138	241,638
Michael Stankey	49,000	200,138	249,138
Michelle Wilson	47,185	200,138	247,323

<sup>(1)</sup> The amounts reported represent the aggregate grant date fair value of the RSUs granted during fiscal 2021 under our 2017 Plan as computed in accordance with the Financial Accounting Standard Board’s Accounting Standards Codification Topic 718 (“ASC Topic 718”). Such grant date fair values do not take into account any estimated forfeitures related to service-based vesting conditions. The assumptions used in calculating the grant date fair values are set forth in the notes to our consolidated financial statements included in our 2021 Annual Report. These amounts do not necessarily correspond to the actual values recognized or that may be recognized by the directors.

<sup>(2)</sup> As of January 31, 2021, our non-employee directors held the options and stock awards set forth in the following table:

Name	Shares of Class B Common Stock Underlying Options	RSUs Covering Class A Common Stock
Shellye Archambeau	—	2,799
Robert L. Dixon, Jr.	—	2,874
Patrick Grady	—	1,064
Ben Horowitz	—	1,064
Michael Kourey	80,000	1,064
Rebecca Saeger	—	2,575
Michael Stankey	190,000	1,064
Michelle Wilson	—	1,064

<sup>(3)</sup> Mr. Kourey resigned from the board effective upon his assumption of the CFO role in March 2021.

**PROPOSAL TWO:  
RATIFICATION OF THE APPOINTMENT OF  
OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Our audit committee has appointed Ernst & Young LLP as our independent registered public accounting firm to perform the audit of our consolidated financial statements for the fiscal year ending January 31, 2022. We are asking our stockholders to ratify this appointment. Ernst & Young LLP has served as our independent registered public accounting firm since 2013.

Our board is submitting the appointment of Ernst & Young LLP to stockholders for ratification as a matter of good corporate governance. In the event our stockholders do not ratify this appointment by a majority of the votes properly cast at the Annual Meeting, our audit committee will reconsider retaining Ernst & Young LLP. Even if the appointment is ratified, our audit committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if they determine that such a change would be in the best interests of the stockholders.

We expect a representative of Ernst & Young LLP will attend the Annual Meeting. That individual will have an opportunity to make a statement and will be available to respond to appropriate questions from stockholders.

**Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm**

We have adopted a policy under which our audit committee must pre-approve all audit and permissible non-audit services to be provided by the independent registered public accounting firm. As part of its review, our audit committee considers whether the categories of pre-approved services are consistent with rules on accountant independence prescribed by the SEC and the Public Company Accounting Oversight Board. Our audit committee pre-approved all services performed by the independent registered public accounting firm in fiscal 2021.

**Audit Fees**

The following table sets forth the fees billed or to be billed by Ernst & Young LLP and its affiliates for professional services rendered with respect to the fiscal years ended January 31, 2021 and 2020. All of these services were approved by our audit committee.

Fee Category	Fiscal 2021	Fiscal 2020
Audit Fees <sup>(1)</sup>	\$3,096,000	\$3,417,000
Audit-Related Fees	—	—
Tax Fees <sup>(2)</sup>	—	19,000
All Other Fees <sup>(3)</sup>	8,000	4,000
<b>Total Fees</b>	<b><u>\$3,104,000</u></b>	<b><u>\$3,440,000</u></b>

<sup>(1)</sup> Audit Fees consist of fees billed for professional services provided in connection with the audit of our consolidated financial statements and audit of internal control over financial reporting, reviews of our quarterly condensed consolidated financial statements, and accounting consultations billed as audit services. For fiscal 2021, this category also includes fees for services provided in connection with our offering of 0.375% convertible senior notes due June 15, 2026. For the fiscal year ended January 31, 2020 (“fiscal 2020”), this category also includes fees for services provided in connection with our offering of 0.125% convertible senior notes due September 1, 2025.

<sup>(2)</sup> Tax Fees consist of fees billed for permissible tax services in connection with our assessment of net operating loss carryforward limitations in fiscal 2020.

<sup>(3)</sup> All Other Fees consist of aggregate fees billed for products and services provided other than those disclosed above, which include subscription fees paid for access to online accounting research software applications.

**Recommendation of our Board**

**OUR BOARD RECOMMENDS THAT YOU VOTE “FOR” RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING JANUARY 31, 2022.**

## REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

*The information contained in this audit committee report shall not be deemed to be “soliciting material,” “filed” with the SEC, subject to Regulations 14A or 14C of the Exchange Act, or subject to the liabilities of Section 18 of the Exchange Act. No portion of this audit committee report shall be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, through any general statement incorporating by reference in its entirety the proxy statement in which this report appears, except to the extent that Okta specifically incorporates this report or a portion of it by reference. In addition, this report shall not be deemed filed under either the Securities Act or the Exchange Act.*

This report is submitted by the audit committee of the board of directors. The audit committee consists of the directors whose names appear below. No member of the audit committee is an officer or employee of Okta, and the board of directors has determined that each member of the audit committee is “independent” for audit committee purposes as that term is defined under Rule 10A-3 of the Exchange Act and the applicable Nasdaq rules. Each member of the audit committee meets the requirements for financial literacy under the applicable rules and regulations of the SEC and Nasdaq.

The audit committee’s general role is to assist the board of directors in monitoring the company’s financial reporting process and related matters. The audit committee’s specific responsibilities are set forth in its charter.

The audit committee has reviewed the company’s consolidated financial statements for its fiscal year ended January 31, 2021, and met with its management team, as well as with representatives of Ernst & Young LLP, the company’s independent registered public accounting firm, to discuss the consolidated financial statements and management’s assessment and Ernst & Young’s evaluation of the effectiveness of the company’s internal control over financial reporting as of January 31, 2021. The audit committee also discussed with members of Ernst & Young LLP the matters required to be discussed by Auditing Standard No. 1301, *Communications with Audit Committees*, as adopted by the Public Company Accounting Oversight Board.

In addition, the audit committee received the written disclosures and the letter from Ernst & Young LLP required by applicable requirements of the Public Company Accounting Oversight Board and the SEC regarding the independent accountant’s communications with the audit committee concerning independence. The audit committee has discussed with Ernst & Young LLP the independence of that firm and has considered whether the provision of non-audit services was compatible with maintaining the independence of that firm.

Based on these discussions, the financial statement review, and other matters it deemed relevant, the audit committee recommended to the board of directors that the company’s audited consolidated financial statements for its fiscal year ended January 31, 2021, be included in its Annual Report on Form 10-K for its 2021 fiscal year.

Audit Committee

Shellye Archambeau (Chairperson)

Patrick Grady

Michelle Wilson

**PROPOSAL THREE:**  
**ADVISORY NON-BINDING VOTE TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS**

We are asking our stockholders to vote to approve, on an advisory non-binding basis, the compensation of our named executive officers for fiscal 2021 as disclosed in this Proxy Statement. As described in detail under the heading “Compensation Discussion and Analysis,” our executive compensation program is designed to drive and reward performance and align the compensation of our named executive officers with the long-term interests of our stockholders. Please read the “Compensation Discussion and Analysis” and the compensation tables and narrative disclosure that follow for information about our executive compensation program, including details of the fiscal 2021 compensation of our named executive officers.

This proposal, commonly known as a “say-on-pay” proposal, gives our stockholders the opportunity to express their views on our named executive officers’ compensation as a whole. This vote is not intended to address any specific element of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this Proxy Statement. Our board and our compensation committee believe that these policies and practices are effective in implementing our compensation philosophy and achieving our compensation program goals.

Accordingly, we are asking our stockholders to vote “FOR” the following resolution:

**RESOLVED**, that the stockholders hereby approve, on an advisory non-binding basis, the compensation paid to Okta’s named executive officers, as disclosed in the company’s proxy statement for the 2021 Annual Meeting of Stockholders, pursuant to the compensation disclosure rules of the SEC, including in the Compensation Discussion and Analysis, the compensation tables and the narrative discussions that accompany the compensation tables.

**Vote Required**

The approval of this advisory non-binding proposal requires the affirmative vote of a majority of the voting power of the shares of our common stock present in person or by proxy at the Annual Meeting and entitled to vote thereon.

As an advisory vote, the outcome of the vote on this proposal is not binding. However, our management team, our board and our compensation committee, which is responsible for designing and administering our executive compensation program, value the opinions expressed by our stockholders, and will consider the outcome of this vote when making future executive compensation decisions.

**Recommendation of the Board**

**OUR BOARD RECOMMENDS THAT YOU VOTE “FOR” THE APPROVAL, ON AN ADVISORY NON-BINDING BASIS, OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS, AS DISCLOSED IN THIS PROXY STATEMENT.**

## EXECUTIVE OFFICERS

The following table sets forth information regarding our executive officers, including their ages, as of April 19, 2021:

Name	Age	Positions and Offices Held with the Company
Todd McKinnon	49	Chairperson of the Board of Directors, Chief Executive Officer and Director
J. Frederic Kerrest	44	Executive Vice Chairperson of the Board of Directors, Chief Operating Officer and Director
Michael Kourey	61	Chief Financial Officer
Christopher K. Kramer	50	Chief Accounting Officer
Jonathan T. Runyan	45	General Counsel and Secretary
Susan St. Ledger	56	President, Worldwide Field Operations

### Information Concerning Executive Officers

In addition to Messrs. McKinnon and Kerrest, who both serve as directors, our executive officers as of April 19, 2021 consisted of the following individuals:

**Michael Kourey.** Mr. Kourey has served as our Chief Financial Officer since March 2021. Mr. Kourey previously served on our board from October 2015 until his appointment as our Chief Financial Officer in March 2021 and served as Chairperson of our audit committee from December 2015 until December 2020 when he agreed to accept the Chief Financial Officer position. From January 2019 to December 2020, Mr. Kourey served as the Chief Financial Officer of Vlocity Inc., a cloud software company, which was acquired by salesforce.com, inc. in 2020. From June 2015 to November 2018, Mr. Kourey served as the Chief Financial Officer of Medallia, Inc., a cloud-based customer experience management company. From May 2013 to March 2015, Mr. Kourey served as a Partner at Khosla Ventures, a venture capital firm, where he previously served as Operating Partner from April 2012 to May 2013. From July 1991 to February 2012, Mr. Kourey served in a variety of roles at Polycom, Inc., a communications solutions company, most recently as Chief Financial Officer. Mr. Kourey also served as a director of Polycom from January 1999 to May 2011. Mr. Kourey serves on the board of trustees of Villanova University and on the board of directors of a private company. In addition to serving on our board, Mr. Kourey previously served on the boards of RingCentral, Inc., Aruba Networks, Inc., Riverbed Technology, Inc. and other public and private companies. Mr. Kourey holds a Masters of Business Administration from Santa Clara University and a Bachelor of Science from University of California, Davis.

**Christopher K. Kramer.** Mr. Kramer has served as our Chief Accounting Officer since October 2019. Prior to that, Mr. Kramer served as our Vice President, Controller from June 2016 to October 2019 and as our Controller from May 2014 to June 2016. From April 2013 to May 2014, Mr. Kramer served as Vice President, Corporate Controller of Cyan, Inc., a global supplier of software-defined networks. From December 2008 to April 2013, Mr. Kramer served as Vice President, Assistant Controller of Riverbed Technology, Inc., an information technology performance company. Mr. Kramer holds a Bachelor of Science in accounting from California Polytechnic State University, San Luis Obispo, and is a licensed CPA (inactive) in the State of California.

**Jonathan T. Runyan.** Mr. Runyan has served as our General Counsel since January 2015 and our Secretary since July 2015. From January 2011 to January 2015, Mr. Runyan served as a Partner and Associate at Goodwin Procter LLP, a law firm, where he practiced corporate and securities law, primarily advising companies and investors in technology industries. From September 2006 to December 2010, Mr. Runyan served as an Associate at Gunderson Dettmer, LLP, a law firm. Mr. Runyan holds a Masters in Business Administration from the Yale School of Management, a Juris Doctor from the University of California, Hastings, and a Bachelor of Science in business administration from San Diego State University.

**Susan St. Ledger.** Ms. St. Ledger has served as our President, Worldwide Field Operations since February 2021. Previously, Ms. St. Ledger served at Splunk Inc., a data analytics company, as President, Worldwide Field Operations from October 2017 to January 2021 and as Senior Vice President, Chief Revenue Officer from May 2016 to October 2017. Ms. St. Ledger served as Chief Revenue Officer, Marketing Cloud at salesforce.com, inc., a provider of enterprise cloud computing software, from 2012 to 2016. In 2012, Ms. St. Ledger served as President at Buddy Media, a social media marketing platform that was acquired by salesforce.com. Previously, Ms. St. Ledger served in a variety of senior sales management roles at salesforce.com and Sun Microsystems, Inc., a provider of network computing infrastructure solutions. Ms. St. Ledger holds a Bachelor of Science in computer science from the University of Scranton.

## EXECUTIVE COMPENSATION COMPENSATION DISCUSSION AND ANALYSIS

The Compensation Discussion and Analysis describes our executive compensation program and the decisions in fiscal 2021 regarding the compensation for:

- Todd McKinnon, our CEO, Chairperson of the board and co-founder;
- William E. Losch, our former CFO;
- J. Frederic Kerrest, our COO, Executive Vice Chairperson of the board and co-founder;
- Charles Race, our former President, Worldwide Field Operations; and
- Jonathan T. Runyan, our General Counsel.

We refer to these executive officers collectively in this Compensation Discussion and Analysis and the accompanying compensation tables as the “named executive officers.” Mr. Race retired from the role of President, Worldwide Field Operations at the end of fiscal 2021 and was succeeded by Ms. St. Ledger in February 2021. Mr. Losch retired from the role of CFO in March 2021 and was succeeded by Mr. Kourey, previously a member of our board.

This Compensation Discussion and Analysis provides an overview of our executive compensation philosophy, the overall objectives of our executive compensation program, and each element of compensation that we provide. In addition, we explain how and why our compensation committee arrived at the specific compensation policies and decisions involving our named executive officers during fiscal 2021.

This Compensation Discussion and Analysis contains forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation plans and arrangements. The actual compensation plans and arrangements that we adopt may differ materially from currently anticipated plans and arrangements as summarized in this Compensation Discussion and Analysis.

### **Executive Summary**

Okta is the leading independent identity provider. Our vision is to enable everyone to safely use any technology, and we believe identity is the key to making that happen. Our mission is to bring simple and secure digital access to people and organizations everywhere. The Okta Identity Cloud is powered by our category-defining platform that enables our customers to securely connect the right people to the right technologies and services at the right time.

Fiscal 2021 was a year of continued strong growth and improved operating leverage for our business despite challenges related to the COVID-19 pandemic. Nonetheless, some of our executive compensation actions early in the fiscal year were influenced by uncertainty surrounding the COVID-19 pandemic, including the decision not to increase the annual base salaries and bonus targets of our named executive officers and the adoption of a program to allow the base salaries of our executive officers to be paid in RSUs instead of cash, in each case to preserve our cash resources in the face of economic uncertainty, and the decision to delay the approval of equity grants and the adoption of bonus plan performance criteria.

### ***Highlights of Fiscal 2021 Corporate Performance***

Specific financial highlights of our performance in fiscal 2021 include:

- **Revenue:** Total revenue was \$835.4 million, an increase of 43% year-over-year. Subscription revenue was \$796.6 million, an increase of 44% year-over-year.
- **Remaining Performance Obligations (“RPO”):** RPO, or subscription backlog, was \$1.80 billion, an increase of 49% year-over-year. Current RPO, which is contracted subscription revenue expected to be recognized over the next 12 months, was \$841.8 million, up 42% compared to the fourth quarter of fiscal 2020.
- **Calculated Billings:** Total calculated billings were \$976.0 million, an increase of 39% year-over-year.

- **Operating Income/Loss:** GAAP (as defined below) operating loss was \$204.2 million, or 24.4% of total revenue, compared to a GAAP operating loss of \$185.8 million, or 31.7% of total revenue for fiscal 2020. Non-GAAP operating income was \$7.7 million, or 0.9% of total revenue, compared to a non-GAAP operating loss of \$48.5 million, or 8.3% of total revenue for fiscal 2020.
- **Net Income/Loss:** GAAP net loss was \$266.3 million, compared to a GAAP net loss of \$208.9 million for fiscal 2020. GAAP net loss per share was \$2.09, compared to a GAAP net loss per share of \$1.78 for fiscal 2020. Non-GAAP net income was \$16.2 million, compared to a non-GAAP net loss of \$31.1 million for fiscal 2020. Non-GAAP basic and diluted net income per share were \$0.13 and \$0.11, respectively, compared to a non-GAAP basic and diluted net loss per share of \$0.27 for fiscal 2020.
- **Cash Flow:** Net cash provided by operations was \$128.0 million, or 15.3% of total revenue, compared to \$55.6 million, or 9.5% of total revenue, for fiscal 2020. Free cash flow was \$110.7 million, or 13.3% of total revenue, compared to \$36.3 million, or 6.2% of total revenue, for fiscal 2020.

To supplement our consolidated financial statements, which are prepared and presented in accordance with accounting principles generally accepted in the United States (“GAAP”), we provide investors with certain non-GAAP financial measures, including non-GAAP operating income (loss), non-GAAP operating margin, non-GAAP net income (loss), non-GAAP net income (loss) per share, basic and diluted, and free cash flow. For a full reconciliation for each non-GAAP financial measure to the most directly comparable financial measure stated in accordance with GAAP, please see the “Non-GAAP Financial Measures” section of Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our 2021 Annual Report filed with the SEC on March 4, 2021 and Exhibit 99.1 to our Current Report on Form 8-K filed with the SEC on March 3, 2021.

### ***Highlights of Fiscal 2021 Executive Compensation Program***

Consistent with our performance and compensation objectives for fiscal 2021, our compensation committee took the following key actions relating to the compensation of our named executive officers for fiscal 2021:

**Base Salary** – Did not increase the annual base salaries of our named executive officers for fiscal 2021 and adopted a program to allow our named executive officers to elect to be paid 100% of their base salaries effective from May 1, 2020 through January 31, 2021 in RSUs, instead of cash. In each case, these decisions were made in order to preserve our cash resources in the face of economic uncertainty surrounding the COVID-19 pandemic and to further align the interests of our named executive officers with those of our stockholders and provide an additional incentive for our long-term growth.

**Bonus Plan** – Awarded bonus payouts to our named executive officers at 123.9% of their respective fiscal 2021 target bonus opportunities based on achievement of the performance objectives established for fiscal 2021 under our Senior Executive Incentive Bonus Plan (the “Bonus Plan”). In February 2021, our compensation committee approved bonus payouts in fully-vested RSUs, instead of cash, in order to further align the interests of our named executive officers with those of our stockholders and provide an additional incentive for our long-term growth.

**Long-Term Incentive Compensation** – Granted long-term incentive compensation in the form of stock options to purchase shares of our Class A common stock and service-based vesting RSUs covering shares of our Class A common stock to align the long-term incentive opportunities of our named executive officers with the interests of our stockholders. The grant date fair values of these equity awards are set forth in the “Fiscal 2021 Summary Compensation Table” and the “Fiscal 2021 Grants of Plan-Based Awards Table” below.

### ***Fiscal 2021 Executive Compensation Policies and Practices***

Our executive compensation policies and practices reinforce our pay-for-performance philosophy and align with sound governance principles. Listed below are highlights of our fiscal 2021 compensation policies and practices.

<u>What we do</u>	<u>What we do not do</u>
<input checked="" type="checkbox"/> Use a pay-for-performance philosophy to align executive compensation with performance	<input checked="" type="checkbox"/> No “single-trigger” cash or equity change in control benefits for executives
<input checked="" type="checkbox"/> Use equity-based compensation to deliver a significant majority of the total compensation of our executive officers to further align their interests with those of our stockholders	<input checked="" type="checkbox"/> No tax gross-ups on severance or change in control benefits
<input checked="" type="checkbox"/> Establish maximum payout amounts under the Bonus Plan and require a threshold level of achievement for payout with respect to each performance measure	<input checked="" type="checkbox"/> No guaranteed bonuses
<input checked="" type="checkbox"/> Conduct an annual risk assessment of our executive and broad-based compensation programs to promote prudent risk management	<input checked="" type="checkbox"/> No guaranteed base salary increases
<input checked="" type="checkbox"/> Maintain a compensation committee consisting solely of independent directors with extensive relevant experience	<input checked="" type="checkbox"/> No post-termination retirement, pension or deferred compensation benefits, other than participation in our 401(k) plan on the same terms as other employees
<input checked="" type="checkbox"/> Conduct an annual review of our executive compensation strategy, competitiveness and peer group	<input checked="" type="checkbox"/> No perquisites other than reimbursement of HSR filing fees and a gross-up of compensation recognized in connection with such reimbursement and no health or other benefits, other than those that are generally available to our employees
<input checked="" type="checkbox"/> Retain an independent compensation consultant who reports directly to our compensation committee	<input checked="" type="checkbox"/> No strict benchmarking of compensation to a specific percentile of our peer group
	<input checked="" type="checkbox"/> No hedging or pledging of Okta securities by any employees or directors

### ***Say-on-Pay Advisory Stockholder Vote on Executive Compensation***

Okta and the compensation committee value the input of our stockholders. In fiscal 2021, over 96% of the votes cast on our Say-on-Pay proposal were favorable, which reflected strong stockholder support for our executive compensation programs. In fiscal 2021, members of our management team contacted our top 30 institutional stockholders, which represented over 58% of our outstanding common stock, or over 62% of our shares of outstanding common stock excluding shares held by our executive officers and board members, and engaged in extensive discussions with several of our largest stockholders. Our team met with governance professionals from passive funds as well as portfolio managers from active funds to discuss our business, ESG initiatives, board composition and executive compensation program. The breadth of our outreach program enabled us to gather feedback from a significant cross-section of our stockholder base. Based on these discussions, the compensation committee found that our stockholders continued to be supportive of our executive compensation program and the alignment between executive officer pay and Okta’s performance. We value the opinions of our stockholders, and when making compensation decisions for our named executive officers in the future, our board and our compensation committee intend to consider the outcome of the say-on-pay advisory vote, in addition to other stockholder feedback we may receive throughout the year.

## **Executive Compensation Philosophy, Objectives and Design**

Our compensation philosophy is that an executive compensation program should drive and reward performance and further align the compensation of our executive officers with the long-term interests of our stockholders. Consistent with this philosophy, our executive compensation program is designed to achieve the following primary objectives:

- attract, motivate, incent and retain our executive officers, who contribute to our long-term success;
- provide compensation packages to our executive officers that are competitive and drive and reward the achievement of our business objectives; and
- effectively align our executive officers' interests with the interests of our stockholders by focusing on long-term equity incentives that correlate with the growth of sustainable long-term value for our stockholders.

Our executive compensation program design incorporates a mix of compensation elements, including base salary, short-term bonus opportunities, long-term equity incentives and benefits (such as change in control payments and benefits), to attract and retain our named executive officers. In determining the amount of each element of direct compensation awarded to the named executive officers, our compensation committee does not apply any fixed percentage of any one element in relation to the overall compensation package. Rather, our compensation committee looks at the overall compensation package and the relative amount of each element on a stand-alone basis for each individual to determine whether such amounts and mix of elements are consistent with the basic principles and objectives of our overall executive compensation program.

A significant majority of the compensation opportunity for our named executive officers is weighted toward equity, as opposed to cash, compensation. We structure our executive compensation program to be heavily weighted toward long-term equity incentives as we continue to transition the compensation of our named executive officers to levels that are more consistent with executive compensation in our compensation peer group, which we also believe correlates with the growth of sustainable long-term value for our stockholders.

We evaluate our executive compensation philosophy and executive compensation program, including design and competitiveness, at least annually and as circumstances require. As part of this review process, our compensation committee applies our values and the objectives outlined above.

## **Compensation Committee Oversight of Executive Compensation Process**

Our compensation committee discharges many of the responsibilities of our board relating to the compensation of our executive officers and the non-employee members of our board (described in “Corporate Governance—Non-Employee Director Compensation” above), and regularly reports to our board on its discussions, decisions and other actions. Our compensation committee has overall responsibility for overseeing our compensation structure, policies and programs generally, and for overseeing and evaluating the compensation plans, policies and practices applicable to our executive officers. Our compensation committee has the authority to retain, and has retained, an independent compensation consultant to provide support to the committee in its review and oversight of our executive compensation program.

Our compensation committee reviews the base salary levels, short-term incentive compensation opportunities, and long-term incentive compensation opportunities of our named executive officers each fiscal year at the beginning of the year, or more frequently as warranted. Long-term incentive compensation is granted on a regularly-scheduled basis, as described in “Other Compensation Policies—Equity Award Grant Policy” below.

## **Compensation-Setting Process**

### ***Role of the CEO***

In discharging its responsibilities, our compensation committee works with members of management, including our CEO. Management assists our compensation committee by providing information on corporate and individual performance, competitive market compensation data and management's perspective on compensation matters. Our CEO makes compensation recommendations for each of our executive officers other than himself. These recommendations cover each executive officer's total target direct compensation, consisting of base salary,

short-term incentive opportunity and long-term equity incentives. In making these recommendations, our CEO considers a variety of factors, including our business results, the executive officer's individual contribution toward these results, the executive officer's role and performance of his or her duties, whether the executive has achieved his or her individual goals, and the relative compensation parity among all of our executive officers. Our compensation committee reviews the recommendation of our CEO and other data and then exercises its own independent judgment to determine the target total direct compensation, and each element thereof, for each of our executive officers, including our CEO. While our CEO typically attends meetings of our compensation committee, our compensation committee meets in executive session outside the presence of our CEO when determining his compensation and when discussing certain other matters as well.

### ***Role of the Compensation Consultant***

Our compensation committee engages an independent compensation consultant to assist it by providing information, analysis and other advice relating to our executive compensation program and the decisions resulting from the committee's annual executive compensation review. For fiscal 2021, our compensation committee retained Compensia, a national compensation consulting firm with expertise relating to technology companies, to provide it with market information, analysis and other advice relating to executive compensation on an ongoing basis. Compensia was engaged directly by our compensation committee to, among other things:

- assist in developing a relevant group of peer companies to help our compensation committee determine the appropriate level of overall compensation for our executive officers;
- assess each separate element of compensation, with a goal of ensuring that the compensation we offer to our executive officers, individually as well as in the aggregate, is competitive and fair;
- review compensation for the non-employee members of our board;
- provide market practices for equity compensation design;
- develop a compensation risk assessment;
- coordinate with our management for data collection and job matching for our executive officers; and
- support other ad hoc matters throughout the year.

Based on its consideration of the factors specified in SEC rules and the Nasdaq listing standards, our compensation committee does not believe that its relationship with Compensia and the work of Compensia on behalf of our compensation committee has raised any conflict of interest. Our compensation committee reviews these factors on an annual basis. As part of our compensation committee's determination of Compensia's independence, it received written confirmation from Compensia addressing these factors and stating its belief that it remains an independent compensation consultant to our compensation committee.

### ***Role of the Compensation Committee***

Our compensation committee determines the target total direct compensation opportunities for our executive officers. When making these decisions, the compensation committee reviews the recommendations of our CEO and other data, including input from the independent compensation consultant, compensation survey data, and publicly-available compensation data of our peers. Our compensation committee then exercises its independent judgment to determine the target total direct compensation, and each element of compensation, for each of our executive officers.

Our compensation committee does not use a single method or measure in making its determinations, nor does it establish specific targets for the total direct compensation opportunities of our executive officers. Nonetheless, as it continues to adjust the compensation of our named executive officers to levels that are more consistent with those of our compensation peer group, our compensation committee begins its deliberations on cash and equity compensation levels with reference to the 25th, 50th and 75th percentile levels for cash compensation and target total direct compensation as reflected in competitive market data. For more information, see "Competitive Positioning" below.

When determining the amount and approving each compensation element and the target total direct compensation opportunity for our executive officers, our compensation committee considers the following factors, among others:

- Okta’s performance against the corporate performance objectives established by our compensation committee and our board;
- Okta’s financial performance relative to our compensation peer group;
- the compensation levels and practices of our compensation peer group;
- each individual executive officer’s skills, experience and qualifications relative to other similarly-situated executives at the companies in our compensation peer group;
- the scope of each individual executive officer’s role compared to other similarly-situated executives at the companies in our compensation peer group; and
- the performance of each individual executive officer, based on a subjective assessment of his or her contributions to our overall performance, ability to lead his or her function, and ability to work as part of a team.

These items reflect our core values and compensation parity among our individual executive officers and provide the framework for compensation decision-making and final decisions regarding the compensation opportunity for each executive officer. No single factor is determinative in setting pay levels, nor was the impact of any factor on the determination of pay levels quantifiable.

***Competitive Positioning***

For purposes of comparing our executive compensation against the competitive market, our compensation committee reviews and considers the compensation levels and practices of a group of peer companies.

In September 2019, with the assistance of Compensia, our compensation committee reviewed our compensation peer group for fiscal 2021, which was generally developed from publicly-traded companies with three primary characteristics:

- a focus on software, with an emphasis on software-as-a-service and cloud business models;
- revenue of 0.5 to 3.0 times our annual revenue; and
- a range of 0.25 to 4.0 times our market capitalization.

Where appropriate, we further refined our peer group by focusing on companies with strong one- and three-year revenue growth (where possible), strong market cap-to-revenue multiples and on companies based in the San Francisco Bay Area or in other U.S. metropolitan areas. Based on the foregoing review, the compensation committee removed Ellie Mae, Imperva, Medidata Solutions, Tableau Software, Box, Cornerstone OnDemand, FireEye and Guidewire Software from the peer group and added Anaplan, CrowdStrike Holdings, DocuSign, Dropbox, MongoDB, Palo Alto Networks, Slack Technologies and Zoom Video Communications for fiscal 2021. Our compensation committee reviews our compensation peer group at least annually and makes adjustments to its composition, if warranted, taking into account changes in both our business and the businesses of our peers.

Our compensation committee uses data drawn from the public filings of our compensation peer group to evaluate the competitive market when determining the total direct compensation packages for our executive officers.

At the beginning of fiscal 2021, based on the foregoing, our compensation committee used the following compensation peer group to assist with the determination of compensation for our executive officers:

Anaplan	HubSpot	Proofpoint	Twilio
Coupa Software	MongoDB	Qualys	Veeva Systems
CrowdStrike Holdings	New Relic	RingCentral	Zendesk
DocuSign	Palo Alto Networks	Slack Technologies	Zoom Video Communications
Dropbox	Paycom Software	Splunk	Zscaler

## Elements of Our Executive Compensation Program

Our executive compensation program consists of the following primary components:

- base salary;
- short-term annual incentive bonuses;
- long-term equity compensation; and
- severance and change in control-related payments and benefits.

We also provide our executive officers with comprehensive employee benefit programs, such as medical, dental and vision insurance, a 401(k) plan, life and disability insurance, flexible spending accounts, an employee stock purchase plan and other plans and programs made available to all our eligible employees.

We believe these elements provide a compensation package that attracts and retains qualified individuals, links individual performance to company performance, focuses the efforts of our named executive officers on the achievement of both our short-term and long-term objectives and further aligns the interests of our executive officers with those of our stockholders.

### Base Salaries

We provide base salary as a fixed source of compensation for each of our named executive officers, allowing them a degree of certainty relative to the significant majority of their compensation that is based on equity awards, the value of which varies and, in the case of stock options, is contingent on our stock price appreciation. Our compensation committee recognizes the importance of base salaries as an element of compensation that helps to attract and retain highly qualified executive talent.

Other than with respect to our co-founders, the initial base salary of each executive officer is established through arm's-length negotiation at the time the executive officer is hired, taking into account a variety of factors, including the executive's qualifications, experience and compensation expectations and comparable market data. At the beginning of each year, our compensation committee reviews, and adjusts as necessary, base salaries for each of our named executive officers, including our co-founders. Our compensation committee does not apply specific formulas in setting base salary levels or determining adjustments from year to year. However, in completing its annual review and adjustment, our compensation committee targets paying our named executive officers base salaries that are competitive with current market practice (as reflected by our compensation peer group).

In April 2020, our compensation committee determined that the annual base salaries of our named executive officers previously approved by the compensation committee for fiscal 2020 were appropriate and would remain in effect for fiscal 2021, and adopted a fiscal 2021 program to allow our named executive officers to elect to be paid 100% of their base salaries effective from May 1, 2020 through January 31, 2021 in RSUs, instead of cash, in order to preserve our cash resources in the face of economic uncertainty surrounding the COVID-19 pandemic and to further align the interests of our named executive officers with those of our stockholders and our long-term growth.

The fiscal 2021 base salary amounts paid in cash and in RSUs for our named executive officers were as follows:

#### Base Salaries for Fiscal 2021

Named Executive Officer	Approved Full Fiscal 2021 Base Salary (\$)	2/1/2020 – 4/30/2020 Base Salary Paid in Cash (\$)	5/1/2020 – 1/31/2021 RSUs Granted in Lieu of Base Salary (#) <sup>(1)(2)</sup>
Todd McKinnon	306,000	76,500	1,941
William E. Losch	350,900	87,725	2,226
J. Frederic Kerrest	362,585	90,646	2,300
Charles Race	346,700	86,675	2,199
Jonathan T. Runyan	331,900	82,975	2,105

<sup>(1)</sup> Mr. McKinnon received 1,941 RSUs in lieu of payment in cash of \$229,500 of his base salary; Mr. Losch received 2,226 RSUs in lieu

of payment in cash of \$263,175 of his base salary; Mr. Kerrest received 2,300 RSUs in lieu of payment in cash of \$271,939 of his base salary; Mr. Race received 2,199 RSUs in lieu of payment in cash of \$260,025 of his base salary; and Mr. Runyan received 2,105 RSUs in lieu of payment in cash of \$248,925 of his base salary. The number of RSUs granted to each named executive officer in satisfaction of his forgone cash salary amount was determined by dividing such amount by the trailing average closing price of our common stock on the Nasdaq during the month prior to the date of grant, consistent with our Equity Award Grant Policy. As a result, the ASC Topic 718 grant date fair values for such RSUs (as set forth in the “Fiscal 2021 Summary Compensation Table” below) differ from the dollar values of the forgone cash salary amounts payable.

- (2) Each RSU was granted on April 15, 2020 and vested as to 17% of the shares of Class A common stock underlying the RSU on June 15, 2020, 33% on September 15, 2020, 39% on December 15, 2020, and the remaining 11% on March 15, 2021.

### ***Annual Performance-Based Incentives***

We use performance-based incentives to motivate our named executive officers to achieve our annual financial and operational objectives, while making progress toward our longer-term strategic and growth goals. Typically, near the beginning of each fiscal year, our compensation committee adopts the performance criteria and targets for our Bonus Plan for that fiscal year, and establishes the target annual incentive opportunity for each plan participant based on a percentage of each participant’s base salary, the performance measures and the associated target levels for each measure, and the potential payouts based on actual performance for the fiscal year. In addition, our compensation committee considered the factors described in “Compensation-Setting Process” above.

### ***Overview & Structure***

In light of the economic uncertainty surrounding the evolving COVID-19 pandemic, our compensation committee deferred adopting the targets for fiscal 2021 under our Bonus Plan until April 2020 and the performance criteria for fiscal 2021 under our Bonus Plan until June 2020. At those times, our compensation committee adopted and approved the performance criteria and targets for fiscal 2021 under our Bonus Plan, as set forth in “Corporate Performance Measures and Bonus Plan Funding Methodology” below. The Bonus Plan provides opportunities for incentive compensation payouts based on our actual achievement of pre-established corporate financial objectives. The target levels for the financial objectives were set at levels determined to be challenging and requiring substantial skill and effort by our named executive officers. The Bonus Plan provided for an annual performance period with annual cash payouts, in order to align the committee’s assessment of our named executive officers’ performance to our achievement of our annual operating plan.

### ***Target Annual Incentive Compensation Opportunities***

In April 2020, in connection with its review of our executive compensation program, our compensation committee determined that the existing target annual incentive opportunities of our named executive officers were appropriate and would remain unchanged from fiscal 2020, as set forth in the table below.

### **Target Performance-Based Incentives for Fiscal 2021**

<b>Named Executive Officer</b>	<b>Base Salary (\$)</b>	<b>Target Performance-Based Incentive as Percent of Base Salary</b>	<b>Target Performance-Based Incentive Under the Bonus Plan (\$)</b>
Todd McKinnon	306,000	65%	198,900
William E. Losch	350,900	60%	210,540
J. Frederic Kerrest	362,585	60%	217,551
Charles Race	346,700	100%	346,700
Jonathan T. Runyan	331,900	50%	165,950

### ***Corporate Performance Measures and Bonus Plan Funding Methodology***

To measure performance for purposes of the Bonus Plan, our compensation committee selected revenue (weighted 70%) and non-GAAP operating income (weighted 30%) as the corporate performance measures that best support our annual operating plan and enhance long-term value creation for our stockholders. For this purpose:

**revenue** means GAAP revenue as reflected in our quarterly and annual financial statements; and

**non-GAAP operating income** means GAAP operating income as reflected in our quarterly and annual financial statements, adjusted to exclude expenses related to stock-based compensation expense, charitable contributions, amortization of acquired intangibles and acquisition-related expenses.

The target levels required for 100% achievement for the corporate performance measures under our Bonus Plan were \$806.5 million for revenue and negative \$4.6 million for non-GAAP operating income. As a threshold matter, our named executive officers were eligible for annual incentive compensation payouts for fiscal 2021 only if we met or exceeded 95% with respect to the revenue target and our non-GAAP operating income was equal to or better than negative \$17.1 million. The compensation committee set high thresholds to ensure that incentive payments would only follow significant achievement. On the other end of the spectrum, revenue achievement of 106% of target would result in a maximum payout of 150%, and non-GAAP operating income achievement of \$15.4 million or greater would result in a maximum payout of 150%. Total payouts were capped at 150% of the target annual cash incentive opportunities to manage potential incentive compensation costs and avoid incentivizing undue risk in our executive compensation program, while still maintaining appropriate incentives for our named executive officers.

With respect to the revenue component, 95% achievement would result in 25% of payment funding. For each additional 1% achievement between 95% and 100% of target, payment funding would increase an additional 15%. Each additional 1% achievement between 100% and 102% of target would result in an additional 1% of payment funding and each additional 1% achievement between 102% and 106% of target would result in an additional 12% of payment funding, with a maximum funding of 150% at 106% achievement or greater.

With respect to the non-GAAP operating income component, achievement of negative \$17.1 million would result in 50% of payment funding. For each additional \$1.0 million of achievement between negative \$17.1 million and negative \$4.6 million, payment funding would increase an additional 4% of payment funding. Each additional \$1.0 million of achievement between negative \$4.6 million and \$15.4 million would result in an additional 2.5% of payment funding, with a maximum funding of 150% at achievement of \$15.4 million or greater.

#### *Performance in Fiscal 2021 and Payouts*

In February 2021, our compensation committee measured actual Bonus Plan performance against the pre-established target levels for the performance period. For fiscal 2021, we exceeded the target performance levels under the Bonus Plan as follows:

<b>Performance Measure</b>	<b>Target (\$ in millions)</b>	<b>Result (\$ in millions)</b>	<b>Actual Achievement of Target</b>
Revenue	806.5	835.4	103.6%
Non-GAAP Operating Income	(4.6)	7.7	\$12.3 million above target

As achievement of the revenue metric resulted in payment funding of 121.0% and achievement of the non-GAAP operating income metric resulted in payment funding of 130.8%, the resulting total achievement percentage was 123.9%. As a result, the total payouts to our named executive officers under the Bonus Plan in fiscal 2021 were as follows:

<b>Named Executive Officer</b>	<b>Fiscal 2021 Target Annual Performance-Based Incentive Compensation Opportunity (\$)</b>	<b>Fiscal 2021 Actual Performance-Based Incentive Compensation (\$)</b>
Todd McKinnon	198,900	246,437
William E. Losch	210,540	260,859
J. Frederic Kerrest	217,551	269,546
Charles Race	346,700	429,561
Jonathan T. Runyan	165,950	205,612

In March 2019, our compensation committee amended the Bonus Plan to provide that the incentive compensation payouts may be made in fully-vested RSUs, instead of cash, and determined that any bonuses awarded for achievement in future years would be paid in fully-vested RSUs, in order to further align the interests of our executive officers with those of our stockholders. The number of fully-vested RSUs granted to the applicable named executive officer in satisfaction of the amount payable under the Bonus Plan was determined by dividing the earned incentive compensation amount payable (expressed as a dollar value) by the trailing average closing price of our common stock on the Nasdaq during the month prior to the date of grant, consistent with our Equity Award Grant Policy.

The RSUs earned by our named executive officers during fiscal 2021 under the Bonus Plan are set forth in the “Fiscal 2021 Summary Compensation Table” below.

### *Long-Term Equity Incentives*

We view long-term incentive compensation in the form of equity awards as a critical element of our executive compensation program. The realized value of these equity awards has a direct relationship to our stock price; therefore, these awards are an incentive for our named executive officers to create value for our stockholders. Equity awards also help us retain qualified executive officers in a competitive market.

Long-term incentive compensation opportunities in the form of equity awards are granted by our compensation committee on a regularly-scheduled basis, as described in “Other Compensation Policies—Equity Award Grant Policy” below.

For fiscal 2021, our compensation committee determined that the equity awards to be granted to our executive officers should be divided equally to deliver half of the intended aggregate fair value in stock options and the remaining half in RSUs. The equity awards granted to our named executive officers in fiscal 2021 are set forth in the “Fiscal 2021 Summary Compensation Table” and the “Fiscal 2021 Grants of Plan-Based Awards Table” below.

In determining the size of the equity awards granted to our named executive officers in fiscal 2021, our compensation committee considered the company’s performance, market data for each named executive officer, the criticality of individual roles, the individual skills, experience and performance of each named executive officer and the mix of cash and equity compensation to ensure that equity awards would motivate the creation of long-term value.

### *Stock Options*

We believe that stock options provide a strong reward for growth in the market price of our common stock, as their entire value depends on stock price appreciation over the exercise price on the grant date. In addition, stock options provide a strong incentive for our named executive officers to remain employed with us as they require continued employment through the multi-year vesting period.

In fiscal 2021, we granted our named executive officers stock options to purchase shares of our Class A common stock. These options have a 10-year term and generally vest as to one-quarter of such shares on the first anniversary of the “vesting commencement date” and in 36 approximately equal monthly installments thereafter, so long as the option holder remains employed with us through the applicable vesting date. Consistent with our compensation objectives, we believe this approach further aligns our executive officers’ efforts and contributions with our long-term interests and allows them to participate in any future appreciation in the value of our common stock.

### *RSUs*

We believe RSUs provide a strong retention incentive for our named executive officers, provide a reward for growth in the value of our common stock, and are less dilutive than stock options to our stockholders. All RSUs are granted under our 2017 Plan and are settled for shares of our Class A common stock. In fiscal 2021, we granted our named executive officers RSUs that generally vest as to one-quarter of such shares on the first anniversary of the applicable “vesting commencement date,” and in 12 approximately equal quarterly installments thereafter, so long as the named executive officer remains employed with us through the applicable vesting date.

## **Employee Benefit Programs**

Our named executive officers are eligible to participate in all of our employee benefit plans offered to U.S. employees, including our 401(k) plan, employee stock purchase plan, and medical, dental, life and disability insurance plans, in each case on the same basis as other U.S. employees.

### ***Perquisites and Other Personal Benefits***

We typically provide limited or no perquisites or personal benefits to our named executive officers. During fiscal 2021, none of our named executive officers received perquisites or other personal benefits that were, in the aggregate, \$10,000 or more for each individual, except our COO, for whom we paid the filing fee under the Hart-Scott-Rodino Antitrust Improvement Act of 1976 (“HSR”) as well as a tax gross-up related to such fee. We believe that reimbursing our COO for the HSR filing fee and its related tax consequences was consistent with our decision to continue to compensate him primarily through equity-compensation arrangements. Absent this regulatory filing, our COO would not be able to fully participate in our long-term incentive compensation program and, therefore, we determined that it was appropriate for us to reimburse him for this filing fee and related tax liabilities. In the future, we may provide perquisites or other personal benefits in limited circumstances, such as where we believe it is appropriate to assist an individual in the performance of his or her duties, to make our executive team more efficient and effective, or for recruitment or retention purposes. All future practices with respect to perquisites or other benefits for our named executive officers will be subject to review and approval by our compensation committee.

### ***401(k) Plan***

We maintain a tax-qualified retirement plan that provides all regular U.S. employees, including our executive officers, with an opportunity to save for retirement on a tax-advantaged basis. Under our 401(k) plan, participants may elect to defer a portion of their compensation on a pre-tax basis and have it contributed to the plan, subject to applicable annual limits under the U.S. Internal Revenue Code of 1984, as amended (the “Code”). Pre-tax contributions are allocated to each participant’s individual account and are then invested in selected investment alternatives according to the participants’ directions. Employee elective deferrals are 100% vested at all times. As a U.S. tax-qualified retirement plan, contributions to the 401(k) plan and earnings on those contributions are not taxable to the employees until distributed from the 401(k) plan, and all contributions are deductible by us when made.

## **Post-Employment Compensation Arrangements**

### ***Not in Connection with a Change in Control***

Our Executive Severance Plan provides that upon the termination of employment of an eligible participant by us for any reason other than for “cause” (as defined in the Executive Severance Plan), death or disability outside of the “change in control period” (defined as the period beginning three months prior to and ending 12 months after a Sale Event), an eligible participant will be entitled to receive, subject to the execution and delivery of an effective release of claims in favor of the company:

- a lump sum cash payment equal to 12 months of base salary for our CEO, nine months of base salary for our other executive officers, and six months of base salary for the other participants; and
- a monthly cash payment equal to our contribution toward health insurance for 12 months for our CEO, nine months for our other executive officers, and six months for the other participants.

### ***In Connection with a Change in Control***

The Executive Severance Plan also provides that upon the (i) termination of employment of an eligible participant by us other than for cause, death or disability or (ii) the resignation of an eligible participant for “good reason” (as defined in the Executive Severance Plan), in each case within the change in control period, an eligible participant will be entitled to receive, in lieu of the payments and benefits above and subject to the execution and delivery of an effective release of claims in favor of the company:

- a lump sum cash payment equal to 18 months of base salary for our CEO, 12 months of base salary for our other executive officers, and nine months of base salary for the other participants;

- a lump sum cash payment equal to the eligible participant’s annual target bonus;
- a monthly cash payment equal to our contribution toward health insurance for 18 months for our CEO, 12 months for our other executive officers, and nine months for the other participants; and
- full accelerated vesting of all outstanding and unvested equity awards held by such participant, provided that any unvested and outstanding equity awards subject to performance conditions will be deemed satisfied at the target levels specified in the applicable award agreements.

The payments and benefits provided under the Executive Severance Plan in connection with a change in control may not be eligible for a federal income tax deduction by us pursuant to Section 280G of the Code. These payments and benefits may subject an eligible participant to an excise tax under Section 4999 of the Code. If the payments or benefits payable in connection with a change in control would be subject to the excise tax imposed under Section 4999 of the Code, then those payments or benefits will be reduced if such reduction would result in a higher net after-tax benefit to the recipient. We have not provided any named executive officer with any tax reimbursement or gross-up in connection with these change in control arrangements.

## **Other Compensation Policies**

### ***Equity Award Grant Policy***

Our compensation committee has adopted an “Equity Award Grant Policy.” Under this policy, we generally grant equity awards on a regularly-scheduled basis to enhance the effectiveness of our internal control over our equity award grant process. Pursuant to the Equity Award Grant Policy, which was most recently amended in December 2020, our compensation committee has delegated certain limited authority to an equity committee consisting of our CEO, Chief People Officer, CFO and General Counsel (the “equity committee”), by which any two members of the equity committee may approve the grant of routine new hire, promotion, refresh and certain other equity awards to employees within equity guidelines reviewed and approved from time to time by our compensation committee and subject to other limitations and requirements. The equity committee may not grant equity awards to its members, to employees who are subject to the reporting and other provisions of Section 16 of the Exchange Act, or to employees with titles more senior than vice president. Grants of equity awards are generally made monthly and will be effective on the date such grant is approved by our compensation committee or equity committee, as applicable.

### ***Compensation Recovery Policy***

Our 2017 Plan provides that awards under such plan will be subject to our compensation recovery (“clawback”) policy, if and when we adopt one. We intend to adopt a general compensation recovery policy covering our short- and long-term incentive award plans and arrangements once the SEC adopts final rules implementing the requirement of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

### ***Policy Prohibiting Hedging and Pledging of Company Securities***

Our insider trading policies prohibit the members of our board and all employees, including our executive officers, from engaging in derivative securities transactions, including hedging, with respect to our securities, and from pledging our securities as collateral for a loan or holding company securities in a margin account. Our insider trading policies require that our executive officers may trade in our securities only pursuant to trading plans that comply with Rule 10b5-1 under the Exchange Act. Certain other employees and our directors are subject to certain pre-clearance procedures in order to trade in our securities or may trade pursuant to trading plans that comply with Rule 10b5-1.

## **Tax and Accounting Considerations**

### ***Deductibility of Executive Compensation***

Section 162(m) of the Code generally places a \$1 million limit on the amount of compensation a public company can deduct in any one year for certain current and former executive officers. While our compensation committee considers tax deductibility as one factor in determining executive compensation, our compensation committee also looks at other factors in making its decisions, as noted above, and retains the flexibility to award compensation that it determines to be consistent with the goals of our executive compensation program, even if

the awards are not deductible by us for tax purposes. The former exemption from Section 162(m)'s deduction limit for performance-based compensation has been repealed, effective for taxable years beginning after December 31, 2017, such that compensation paid to our named executive officers and certain other individuals in excess of \$1 million will not be deductible unless it qualifies for the limited transition relief applicable to certain arrangements in place as of November 2, 2017. We expect that a portion of the cash compensation and equity awards to our executive officers will not be deductible under Section 162(m).

Despite our compensation committee's efforts to structure certain performance-based awards that were granted prior to November 2, 2017, in a manner intended to be exempt from Section 162(m) and therefore not subject to its deduction limits, because of ambiguities and uncertainties as to the application and interpretation of Section 162(m) and the regulations issued thereunder, including the uncertain scope of the transition relief under the legislation repealing the performance-based compensation exemption from the deduction limit, no assurance can be given that compensation intended to satisfy the requirements for exemption from Section 162(m) in fact will. Further, our compensation committee reserves the right to modify compensation that was initially intended to be exempt from Section 162(m) if it determines that such modifications are consistent with our business needs. Our compensation committee believes that stockholder interests are best served if its discretion and flexibility in awarding compensation is not restricted, even though some compensation awards may result in non-deductible compensation expenses.

### ***Taxation of "Parachute" Payments***

Sections 280G and 4999 of the Code provide that executive officers and directors who hold significant equity interests and certain other service providers may be subject to significant additional taxes if they receive payments or benefits in connection with a change in control of the company that exceed certain prescribed limits, and that the company (or a successor) may forfeit a deduction on the amounts subject to this additional tax. We have not agreed to provide any executive officer, including any named executive officer, with a "gross-up" or other reimbursement payment for any tax liability that the executive officer might owe as a result of the application of Sections 280G or 4999 of the Code.

### ***Section 409A of the Code***

Section 409A of the Code imposes additional significant taxes in the event that an executive officer, director or service provider receives "deferred compensation" that does not satisfy the requirements of Section 409A of the Code. Although we do not maintain a traditional nonqualified deferred compensation plan for our executive officers, Section 409A of the Code does apply to certain severance arrangements, bonus arrangements and equity awards. We have structured all such arrangements and awards in a manner to either avoid or comply with the applicable requirements of Section 409A of the Code.

### ***Accounting for Stock-Based Compensation***

We follow ASC Topic 718 for our stock-based compensation awards. ASC Topic 718 requires us to measure the compensation expense for all share-based payment awards made to our employees and non-employee members of our board, including options to purchase shares of our common stock and other stock awards, based on the grant date "fair value" of these awards. This calculation is performed for accounting purposes and reported in the executive compensation tables required by the federal securities laws, even though the recipient may never realize any value from such awards.

## Fiscal 2021 Summary Compensation Table

The following table presents information regarding the compensation awarded to, earned by and paid to each of our named executive officers in fiscal 2021, 2020 and 2019.

Name and Principal Position	Fiscal Year	Salary (\$) <sup>(1)</sup>	Stock Awards (\$) <sup>(2)(3)</sup>	Option Awards (\$) <sup>(4)</sup>	Non-Equity Incentive Plan Compensation (\$) <sup>(5)</sup>	All Other Compensation (\$) <sup>(6)</sup>	Total (\$)
Todd McKinnon CEO <sup>(7)</sup>	2021	306,000	6,070,523	5,551,843	202,646	0	12,131,012
	2020	306,000	4,180,794	4,123,267	171,342	247,917	9,029,320
	2019	306,000	2,215,365	2,245,905	290,011	0	5,057,281
William E. Losch Former CFO <sup>(8)</sup>	2021	350,900	2,162,092	1,943,123	214,539	0	4,670,654
	2020	350,900	1,721,498	1,697,814	181,427	0	3,951,639
	2019	326,400	1,384,113	1,402,615	285,545	0	3,398,673
J. Frederic Kerrest COO <sup>(7)</sup>	2021	362,585	4,272,142	3,886,309	221,630	247,917	8,990,583
	2020	362,585	2,705,200	2,667,988	187,436	0	5,923,209
	2019	300,400	1,936,974	1,961,940	262,812	0	4,462,126
Charles Race Former President, Worldwide Field Operations <sup>(9)</sup>	2021	346,700	1,860,214	1,665,534	353,144	0	4,225,592
	2020	346,700	1,475,511	1,455,205	298,803	0	3,576,219
	2019	322,500	992,013	1,006,785	470,252	0	2,791,550
Jonathan T. Runyan General Counsel	2021	331,900	2,159,103	1,943,123	169,253	0	4,603,379
	2020	331,900	1,229,607	1,212,671	143,018	0	2,917,196
	2019	308,700	882,225	894,920	225,059	0	2,310,904

<sup>(1)</sup> The amounts reported in fiscal 2021 represent the salary amounts paid in cash to our named executive officers effective February 1, 2020 through April 30, 2020 (the “FY21 Cash Salary Amounts”) plus the value of cash salary forgone effective May 1, 2020 through January 31, 2021 in favor of RSU awards (the “FY21 Salary RSUs”) at the election of the named executive officers, as further described in footnote (3) below and above in “Compensation Discussion and Analysis—Elements of our Executive Compensation Program—Base Salaries.”

The FY21 Cash Salary Amounts were as follows: Mr. McKinnon received \$76,500 of his base salary paid in cash; Mr. Losch received \$87,725 of his base salary paid in cash; Mr. Kerrest received \$90,646 of his base salary paid in cash; Mr. Race received \$86,675 of his base salary paid in cash; and Mr. Runyan received \$82,975 of his base salary paid in cash.

The FY21 Salary RSUs were granted on April 15, 2020 as follows: Mr. McKinnon received 1,941 RSUs in lieu of payment in cash of \$229,500 of his base salary; Mr. Losch received 2,226 RSUs in lieu of payment in cash of \$263,175 of his base salary; Mr. Kerrest received 2,300 RSUs in lieu of payment in cash of \$271,939 of his base salary; Mr. Race received 2,199 RSUs in lieu of payment in cash of \$260,025 of his base salary; and Mr. Runyan received 2,105 RSUs in lieu of payment in cash of \$248,925 of his base salary. Each FY21 Salary RSU award vested as to 17% of the shares of Class A common stock underlying the award on June 15, 2020, 33% on September 15, 2020, 39% on December 15, 2020, and the remaining 11% on March 15, 2021. The number of RSUs granted to each named executive officer in satisfaction of his forgone cash salary amount was determined by dividing such amount by the trailing average closing price of our common stock on the Nasdaq during the month prior to the date of grant, consistent with our Equity Award Grant Policy. As a result, the ASC Topic 718 grant date fair values of the FY21 Salary RSUs exceed the dollar values of the forgone cash salary amounts payable, which excess amounts (the “FY21 Salary RSU Excess GDFVs”) are reflected in the “Stock Awards” column above and further described in footnote (3) below.

<sup>(2)</sup> The amounts reported represent the aggregate grant date fair values of the RSUs granted to our named executive officers in fiscal 2021, 2020 and 2019, calculated in accordance with ASC Topic 718. The assumptions used in calculating the grant date fair value are set forth in the notes to our consolidated financial statements included in our 2021 Annual Report. These amounts do not necessarily correspond to the actual values recognized by our named executive officers.

<sup>(3)</sup> The amounts reported in fiscal 2021 also include the FY21 Salary RSU Excess GDFVs described in footnote (1) above. The ASC Topic 718 grant date fair value of each named executive officer’s FY21 Salary RSU award exceeded his forgone cash salary by the following amount: Mr. McKinnon: \$47,034; Mr. Losch: \$53,963; Mr. Kerrest: \$55,742; Mr. Race: \$53,267; and Mr. Runyan: \$50,974. The assumptions used in calculating the grant date fair value are set forth in the notes to our consolidated financial statements included in our 2021 Annual Report.

<sup>(4)</sup> The amounts reported represent the aggregate grant date fair values of the stock options granted to our named executive officers in fiscal 2021, 2020 and 2019, calculated in accordance with ASC Topic 718. The assumptions used in calculating the grant date fair value are set forth in the notes to our consolidated financial statements included in our 2021 Annual Report. These amounts do not necessarily correspond to the actual values recognized by the named executive officers.

<sup>(5)</sup> The amounts reported represent the aggregate annual performance-based cash incentives earned in fiscal 2021, 2020 and 2019, based upon the achievement of certain company metrics. For fiscal 2021, 2020 and 2019, the amounts reported represent the ASC Topic 718 grant date fair values of fully-vested RSUs granted in lieu of the cash incentive payable, which grant date fair values were less than the amounts earned by the named executive officers under the Bonus Plan for such fiscal years. For fiscal 2021, the RSUs were granted on March 15, 2021 in the following numbers: Mr. McKinnon: 886 RSUs; Mr. Losch: 938 RSUs; Mr. Kerrest: 969 RSUs; Mr. Race: 1,544 RSUs; and Mr. Runyan: 740 RSUs. The number of RSUs granted to the applicable named executive officer in satisfaction of the amount payable under the Bonus Plan was determined by dividing the earned cash incentive payable (expressed as a dollar value) by

the trailing average closing price of our common stock on the Nasdaq during the month prior to the date of grant, consistent with our Equity Award Grant Policy. As a result, the RSU ASC Topic 718 grant date fair values differ from the dollar values of the earned cash incentive payable. The fiscal 2021 cash achievement for each named executive officer is described above in “Compensation Discussion and Analysis—Annual Performance-Based Incentives—Performance in Fiscal 2021 and Payout.”

- (6) For Mr. Kerrest, consists of a reimbursement from us for a \$125,000 HSR filing fee related to Mr. Kerrest’s stock ownership and \$122,917 for the related tax gross-up in fiscal 2021.
- (7) Messrs. McKinnon and Kerrest serve on our board but are not paid compensation for such service.
- (8) Mr. Losch retired from the role of CFO and was succeeded by Mr. Kourey, previously a member of our board, in March 2021.
- (9) Mr. Race retired from the role of President, Worldwide Field Operations at the end of fiscal 2021 and was succeeded by Ms. St. Ledger in February 2021.

### Fiscal 2021 Grants of Plan-Based Awards Table

The following table sets forth certain information with respect to all plan-based awards granted to our named executive officers during fiscal 2021.

Name	Award Type	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>			All Other Stock Awards: Number of Shares of Stock or Units (#) <sup>(2)</sup>	All Other Option Awards: Number of Securities Underlying Options (#) <sup>(2)</sup>	Exercise or Base Price of Awards (\$/Sh) <sup>(3)</sup>	Grant Date Fair Value of Stock and Option Awards (\$) <sup>(4)</sup>
			Threshold (\$)	Target (\$)	Maximum (\$)				
Todd McKinnon	FY20 Bonus RSU <sup>(5)</sup>	3/15/2020	—	—	—	1,597	—	—	171,342
	Annual Cash	—	29,835	198,900	298,350	—	—	—	—
	Annual Option	4/15/2020	—	—	—	—	89,301	142.47	5,551,843
	Annual RSU	4/15/2020	—	—	—	42,279	—	—	6,023,489
	FY21 Salary RSU <sup>(6)</sup>	4/15/2020	—	—	—	1,941	—	—	276,534
William E. Losch	FY20 Bonus RSU <sup>(5)</sup>	3/15/2020	—	—	—	1,691	—	—	181,427
	Annual Cash	—	31,581	210,540	315,810	—	—	—	—
	Annual Option	4/15/2020	—	—	—	—	31,255	142.47	1,943,123
	Annual RSU	4/15/2020	—	—	—	14,797	—	—	2,108,129
	FY21 Salary RSU <sup>(6)</sup>	4/15/2020	—	—	—	2,226	—	—	317,138
J. Frederic Kerrest	FY20 Bonus RSU <sup>(5)</sup>	3/15/2020	—	—	—	1,747	—	—	187,436
	Annual Cash	—	32,633	217,551	326,327	—	—	—	—
	Annual Option	4/15/2020	—	—	—	—	62,511	142.47	3,886,309
	Annual RSU	4/15/2020	—	—	—	29,595	—	—	4,216,400
	FY21 Salary RSU <sup>(6)</sup>	4/15/2020	—	—	—	2,300	—	—	327,681
Charles Race	FY20 Bonus RSU <sup>(5)</sup>	3/15/2020	—	—	—	2,785	—	—	298,803
	Annual Cash	—	52,005	346,700	520,050	—	—	—	—
	Annual Option	4/15/2020	—	—	—	—	26,790	142.47	1,665,534
	Annual RSU	4/15/2020	—	—	—	12,683	—	—	1,806,947
	FY21 Salary RSU <sup>(6)</sup>	4/15/2020	—	—	—	2,199	—	—	313,292
Jonathan T. Runyan	FY20 Bonus RSU <sup>(5)</sup>	3/15/2020	—	—	—	1,333	—	—	143,018
	Annual Cash	—	24,893	165,950	248,925	—	—	—	—
	Annual Option	4/15/2020	—	—	—	—	31,255	142.47	1,943,123
	Annual RSU	4/15/2020	—	—	—	14,797	—	—	2,108,129
	FY21 Salary RSU <sup>(6)</sup>	4/15/2020	—	—	—	2,105	—	—	299,899

(1) This column sets forth the fiscal 2021 target bonus amount for each of our named executive officers under our Bonus Plan. “Threshold” refers to the minimum amount payable for a certain level of performance; “Target” refers to the amount payable if specified performance targets are reached; and “Maximum” refers to the maximum payout possible. Target bonuses were set as a percentage of each named executive officer’s base salary earned for fiscal 2021 as follows: 65% for Mr. McKinnon, 60% for each of Messrs. Losch and Kerrest, 100% for Mr. Race and 50% for Mr. Runyan. The dollar values of the actual bonus awards earned by the named executive officers are set forth in the “Fiscal 2021 Summary Compensation Table” above. Pursuant to the Bonus Plan, the actual bonus awards were paid out in fully-vested RSUs, instead of cash. The amounts set forth in this column do not represent either additional or actual compensation earned by the named executive officers for fiscal 2021. For a description of the Bonus Plan, see “Compensation Discussion and Analysis—Annual Performance-Based Incentives” above.

(2) Annual stock options and RSUs were granted under the 2017 Plan. Each of the annual stock option awards listed in the table above vested as to 25% of the shares of Class A common stock underlying the stock options upon the one-year anniversary of February 1, 2020, and vest as to the remainder of the shares in 36 equal monthly installments thereafter. Each of the annual RSU awards vested as

to 25% of the shares of Class A common stock underlying the RSU award upon the one-year anniversary of March 15, 2020, and vest as to the remainder of the shares in 12 equal quarterly installments thereafter. Stock options and RSUs are subject to potential vesting acceleration as described under the heading “Post-Employment Compensation Arrangements” above and “Potential Payments upon Termination or Change in Control” below.

- (3) Stock options were granted with an exercise price equal to the closing trading price of our Class A common stock on the date of grant, which was \$142.47 per share for the April 15, 2020 annual grants.
- (4) The amounts reported represent the aggregate grant date fair value of equity awards granted to our named executive officers in fiscal 2021, calculated in accordance with ASC Topic 718. The assumptions used in calculating the grant date fair value are set forth in the notes to our consolidated financial statements included in our 2021 Annual Report. These amounts do not necessarily correspond to the actual values recognized by our named executive officers.
- (5) FY20 Bonus RSUs represent annual performance-based cash incentives earned in fiscal 2020 pursuant to the Bonus Plan but paid in the form of fully-vested RSUs granted on March 15, 2020 (fiscal 2021) in amounts as determined in accordance with our Equity Award Grant Policy. These amounts are reported above as fiscal 2020 compensation in the “Non-Equity Incentive Plan Compensation” column of the “Fiscal 2021 Summary Compensation Table” above.
- (6) FY21 Salary RSUs represent each named executive officer’s fiscal 2021 salary effective from May 1, 2020 through January 31, 2021 paid in the form of RSUs in lieu of cash, granted on April 15, 2020 in amounts as determined in accordance with our Equity Award Grant Policy. Each of the fiscal 2021 salary RSU awards vested as to 17% of the shares of Class A common stock underlying the RSU award on June 15, 2020, 33% on September 15, 2020, 39% on December 15, 2020, and the remaining 11% on March 15, 2021, subject to continuous service.

### Fiscal 2021 Outstanding Equity Awards at Fiscal Year-End Table

The following table provides information regarding outstanding equity awards held by our named executive officers as of January 31, 2021.

Name	Option Awards <sup>(1)(2)</sup>						Stock Awards	
	Grant Date	Vesting Commencement Date	Number of Securities Underlying Unexercised Options		Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(3)</sup>
			Exercisable	Unexercisable				
Todd McKinnon	8/30/2013 <sup>(4)</sup>	8/1/2013	38,827	—	1.40	8/29/2023	—	—
	8/28/2015 <sup>(4)</sup>	8/1/2015	486,053	—	7.17	8/27/2025	—	—
	7/30/2016 <sup>(5)</sup>	7/29/2016	1,798,891	—	8.97	7/29/2026	—	—
	3/22/2018 <sup>(6)</sup>	2/1/2018	2,719	35,344	39.21	3/21/2028	—	—
	3/22/2018 <sup>(7)</sup>	3/15/2018	—	—	—	—	17,657	4,573,340
	3/25/2019 <sup>(6)</sup>	2/1/2019	2,303	57,591	82.16	3/24/2029	—	—
	3/25/2019 <sup>(7)</sup>	3/15/2019	—	—	—	—	28,623	7,413,643
	4/15/2020 <sup>(6)</sup>	2/1/2020	—	89,301	142.47	4/14/2030	—	—
	4/15/2020 <sup>(7)</sup>	3/15/2020	—	—	—	—	42,279	10,950,684
4/15/2020 <sup>(8)</sup>	5/1/2020	—	—	—	—	213	55,169	
William E. Losch	7/30/2016 <sup>(5)</sup>	7/29/2016	41,736	—	8.97	7/29/2026	—	—
	3/22/2018 <sup>(6)</sup>	2/1/2018	427	22,073	39.21	3/21/2028	—	—
	3/22/2018 <sup>(7)</sup>	3/15/2018	—	—	—	—	11,032	2,857,398
	3/25/2019 <sup>(6)</sup>	2/1/2019	8,816	23,714	82.16	3/24/2029	—	—
	3/25/2019 <sup>(7)</sup>	3/15/2019	—	—	—	—	11,786	3,052,692
	4/15/2020 <sup>(6)</sup>	2/1/2020	—	31,255	142.47	4/14/2030	—	—
	4/15/2020 <sup>(7)</sup>	3/15/2020	—	—	—	—	14,797	3,832,571
4/15/2020 <sup>(8)</sup>	5/1/2020	—	—	—	—	244	63,198	

Name	Option Awards <sup>(1)(2)</sup>						Stock Awards	
	Grant Date	Vesting Commencement Date	Number of Securities Underlying Unexercised Options		Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(3)</sup>
			Exercisable	Unexercisable				
J. Frederic Kerrest	8/30/2013 <sup>(4)</sup>	8/1/2013	3,572	—	1.40	8/29/2023	—	—
	8/27/2014 <sup>(4)</sup>	8/1/2014	42,812	—	3.11	8/26/2024	—	—
	8/28/2015 <sup>(4)</sup>	8/1/2015	236,053	—	7.17	8/27/2025	—	—
	7/30/2016 <sup>(5)</sup>	7/29/2016	990,525	—	8.97	7/29/2026	—	—
	3/22/2018 <sup>(6)</sup>	2/1/2018	83,125	30,875	39.21	3/21/2028	—	—
	3/22/2018 <sup>(7)</sup>	3/15/2018	—	—	—	—	15,438	3,998,596
	3/25/2019 <sup>(6)</sup>	2/1/2019	34,282	37,265	82.16	3/24/2029	—	—
	3/25/2019 <sup>(7)</sup>	3/15/2019	—	—	—	—	18,521	4,797,124
	4/15/2020 <sup>(6)</sup>	2/1/2020	—	62,511	142.47	4/14/2030	—	—
	4/15/2020 <sup>(7)</sup>	3/15/2020	—	—	—	—	29,595	7,665,401
4/15/2020 <sup>(8)</sup>	5/1/2020	—	—	—	—	253	65,530	
Charles Race	10/24/2016 <sup>(4)</sup>	10/20/2016	138,852	—	8.97	10/23/2026	—	—
	3/22/2018 <sup>(6)</sup>	2/1/2018	42,656	15,844	39.21	3/21/2028	—	—
	3/22/2018 <sup>(7)</sup>	3/15/2018	—	—	—	—	7,907	2,047,992
	3/25/2019 <sup>(6)</sup>	2/1/2019	18,699	20,325	82.16	3/24/2029	—	—
	3/25/2019 <sup>(7)</sup>	3/15/2019	—	—	—	—	10,102	2,616,519
	4/15/2020 <sup>(6)</sup>	2/1/2020	—	26,790	142.47	4/14/2030	—	—
4/15/2020 <sup>(7)</sup>	3/15/2020	—	—	—	—	12,683	3,285,024	
4/15/2020 <sup>(8)</sup>	5/1/2020	—	—	—	—	241	62,421	
Jonathan T. Runyan	7/30/2016 <sup>(5)</sup>	7/29/2016	153,392	—	8.97	7/29/2026	—	—
	3/22/2018 <sup>(6)</sup>	2/1/2018	37,916	14,084	39.21	3/21/2028	—	—
	3/22/2018 <sup>(7)</sup>	3/15/2018	—	—	—	—	7,032	1,821,358
	3/25/2019 <sup>(6)</sup>	2/1/2019	15,582	16,938	82.16	3/24/2029	—	—
	3/25/2019 <sup>(7)</sup>	3/15/2019	—	—	—	—	8,418	2,180,346
	4/15/2020 <sup>(6)</sup>	2/1/2020	—	31,255	142.47	4/14/2030	—	—
	4/15/2020 <sup>(7)</sup>	3/15/2020	—	—	—	—	14,797	3,832,571
4/15/2020 <sup>(8)</sup>	5/1/2020	—	—	—	—	231	59,831	

<sup>(1)</sup> Stock options granted prior to 2017 were granted pursuant to our 2009 Stock Plan (the “2009 Plan”), and unless otherwise described in the footnotes below, are immediately exercisable subject to a repurchase right in favor of the company that expires over a four-year period. Stock options granted after 2017 were granted pursuant to our 2017 Plan and are not immediately exercisable.

<sup>(2)</sup> Upon a (i) termination of employment by us other than for cause (as defined in the Executive Severance Plan), death or disability or (ii) resignation for good reason (as defined in the Executive Severance Plan), in each case within the change in control period (as defined in the Executive Severance Plan), the vesting of the shares subject to options will fully accelerate and will become vested in full upon such termination date.

<sup>(3)</sup> This column represents the market value of the shares underlying the RSUs or restricted stock as of January 31, 2021, based on the closing price of our Class A common stock, as reported on Nasdaq, of \$259.01 per share on January 29, 2021, the last business day of fiscal 2021.

<sup>(4)</sup> The stock options are fully vested and exercisable.

<sup>(5)</sup> 20% of the shares underlying the options vest upon completion of one year of service measured from the vesting commencement date; another 20% of the shares underlying the options vest upon completion of two years of service measured from the vesting commencement date; and the balance of shares vest in 36 successive equal monthly installments, subject to continuous service.

<sup>(6)</sup> 25% of the shares underlying the options vest upon completion of one year of service measured from the vesting commencement date, and the balance of the shares vest in 36 successive equal monthly installments, subject to continuous service.

<sup>(7)</sup> 25% of the shares underlying the award vest upon completion of one year of service measured from the vesting commencement date, and the balance of the shares vest in 12 successive equal quarterly installments, subject to continuous service.

<sup>(8)</sup> 17% of the shares underlying the award vested on June 15, 2020, 33% on September 15, 2020, 39% on December 15, 2020, and the remaining 11% on March 15, 2021, subject to continuous service.

## Fiscal 2021 Option Exercises and Stock Vested Table

The following table presents, for each of our named executive officers, the shares of our common stock that were acquired upon the exercise of stock options and the vesting of RSUs and the related value realized upon such exercise or vesting during fiscal 2021.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) <sup>(1)</sup>	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) <sup>(2)</sup>
Todd McKinnon	173,289	29,247,615	39,713	6,562,808
William E. Losch	262,820	47,189,135	21,665	3,650,790
J. Frederic Kerrest	127,038	26,888,894	30,549	5,123,256
Charles Race	611,148	111,759,658	18,925	3,099,133
Jonathan T. Runyan	88,650	18,567,596	15,380	2,595,644

<sup>(1)</sup> The value realized on exercise is based on the difference between the closing price of our Class A common stock on the date of exercise and the applicable exercise price of those options, and does not represent actual amounts received by our named executive officers as a result of the option exercises.

<sup>(2)</sup> The value realized on vesting is determined by multiplying the number of vested RSUs by the closing price of our Class A common stock on the vesting date.

### Pension Benefits

Aside from our 401(k) plan, which is described above, we do not maintain any pension plan or arrangement under which our named executive officers are entitled to participate or receive post-retirement benefits.

### Nonqualified Deferred Compensation

We do not maintain any nonqualified deferred compensation plans or arrangements under which our named executive officers are entitled to participate.

### Potential Payments upon Termination or Change in Control

#### *Employment Offer Letters in Place During Fiscal 2021 for Named Executive Officers*

In February 2017, we entered into employment offer letters with each of our named executive officers that provided for at-will employment and set forth each executive's annual base salary, target bonus opportunity and eligibility to participate in our benefit plans generally. Each of our named executive officers also participates in our Executive Severance Plan, as described above under the heading "Post-Employment Compensation Arrangements" and below. Each named executive officer also remains subject to our standard employment, confidential information and invention assignment agreement.

The following table presents information concerning estimated payments and benefits that would be provided pursuant to the arrangements described above for each of our named executive officers serving as of the end of fiscal 2021. The payments and benefits set forth below are estimated assuming that the termination of employment or change in control event occurred on the last business day of fiscal 2021, January 29, 2021, and a per share value of our common stock of \$259.01, which is the closing market price per share of our Class A common stock on such date. Actual payments and benefits could be different if such events were to occur on any other date or at any other price or if any other assumptions are used to estimated potential payments and benefits.

<b>Name</b>	<b>Benefit</b>	<b>Termination without Cause Not in Connection with a Change in Control (\$)</b>	<b>Termination without Cause or with Good Reason in Connection with a Change in Control (\$)</b>
Todd McKinnon	Cash Severance	306,000	657,900
	Health Benefits	29,505	44,258
	Equity Acceleration <sup>(1)</sup>	—	101,361,804
	<b>Total</b>	<b>335,505</b>	<b>102,063,962</b>
William E. Losch	Cash Severance	263,175	561,440
	Health Benefits	15,508	20,678
	Equity Acceleration <sup>(1)</sup>	—	31,245,184
	<b>Total</b>	<b>278,683</b>	<b>31,827,302</b>
J. Frederic Kerrest	Cash Severance	271,939	580,136
	Health Benefits	15,675	20,901
	Equity Acceleration <sup>(1)</sup>	—	62,192,573
	<b>Total</b>	<b>287,614</b>	<b>62,793,610</b>
Charles Race	Cash Severance	260,025	693,400
	Health Benefits	7,107	9,476
	Equity Acceleration <sup>(1)</sup>	—	18,211,050
	<b>Total</b>	<b>267,132</b>	<b>18,913,926</b>
Jonathan T. Runyan	Cash Severance	248,925	497,850
	Health Benefits	22,129	29,505
	Equity Acceleration <sup>(1)</sup>	—	23,878,713
	<b>Total</b>	<b>271,054</b>	<b>24,406,068</b>

<sup>(1)</sup> The value of stock option and RSU award vesting acceleration is based on the closing price of \$259.01 per share of our Class A common stock as of January 29, 2021, minus, in the case of stock options, the exercise price of the unvested stock option shares subject to acceleration.

## CEO Pay Ratio Disclosure

As required by SEC rules, we are providing the following information about the relationship between the annual total compensation of our CEO and the annual total compensation of our median compensated employee (our “CEO pay ratio”).

For fiscal 2021, the median of the annual total compensation of all employees of our company (other than our CEO) was \$258,687<sup>(1)</sup> and the annual total compensation of our CEO was \$12,131,012. Based on this information, for fiscal 2021 the ratio of the annual total compensation of our CEO to the median of the annual total compensation of all employees was 47<sup>(1)</sup> to 1. This ratio is a reasonable estimate calculated in a manner consistent with SEC rules.

For fiscal 2021, we calculated the CEO pay ratio using the same median employee that we used to calculate the pay ratio in fiscal 2020, as we believe there has been no change in our employee population or compensation arrangements during fiscal 2021 that would result in a significant change to our pay ratio disclosure.

To identify the median employee in fiscal 2020, we examined the compensation of all our full- and part-time employees (other than our CEO) as of January 31, 2020, the last day of fiscal 2020. Our employee population consisted of individuals (other than our CEO) working at our parent company and consolidated subsidiaries both within and outside the United States. We did not include any contractors or other non-employee workers in our employee population. We did not have any temporary or seasonal employees as of January 31, 2020.

We used a consistently applied compensation measure consisting of actual annual base salary, target annual bonus or commission, and the grant date fair value of equity awards for the 12-month period from February 1, 2019 through January 31, 2020 to identify our median employee for fiscal 2020. For simplicity, we calculated annual base salary using a reasonable estimate of the hours worked during fiscal 2020 for hourly employees and actual salary paid for our remaining employees. We annualized compensation for any full-time and part-time employees who commenced work during fiscal 2020 to reflect a full year. Equity awards granted during the year were included using the same methodology we use for our named executive officers in our Summary Compensation Table. Payments not made in U.S. dollars were converted to U.S. dollars using a currency exchange rate as of January 31, 2020. We did not make any cost-of-living adjustment.

Using this approach, we identified the individual at the median of our employee population who was the best representative of our employee population. The individual is a full-time employee based in the United States.

We calculated this individual’s fiscal 2021 annual total compensation using the same methodology that we use for our named executive officers as set forth in the “Fiscal 2021 Summary Compensation Table” above.

With respect to the annual total compensation of our CEO, we used the amount reported in the “Total” column of the “Fiscal 2021 Summary Compensation Table” above.

Because SEC rules for identifying the median of the annual total compensation of all employees allow companies to adopt a variety of methodologies, apply certain exclusions and make reasonable estimates and assumptions that reflect their employee population and compensation practices, the pay ratio reported by other companies may not be comparable to our pay ratio, as other companies have different employee populations and compensation practices and may have used different methodologies, exclusions, estimates and assumptions in calculating their pay ratios. As explained by the SEC when it adopted these rules, the rule was not designed to facilitate comparisons of pay ratios among different companies, even companies within the same industry, but rather to allow stockholders to better understand and assess each particular company’s compensation practices and pay ratio disclosures.

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<sup>(1)</sup> Represents the median employee’s annual total compensation not including California Paid Family Leave (“CAPFL”) benefit payments in fiscal 2021. The median employee’s annual total compensation including CAPFL benefit payments in fiscal 2021 would be \$265,001, resulting in a pay ratio of 46 to 1.

## REPORT OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

*The information contained in this compensation committee report shall not be deemed to be “soliciting material,” “filed” with the SEC, subject to Regulations 14A or 14C of the Exchange Act, or subject to the liabilities of Section 18 of the Exchange Act. No portion of this compensation committee report shall be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, through any general statement incorporating by reference in its entirety the proxy statement in which this report appears, except to the extent that Okta specifically incorporates this report or a portion of it by reference. In addition, this report shall not be deemed filed under either the Securities Act or the Exchange Act.*

The compensation committee has reviewed and discussed the section captioned “Executive Compensation” with the company’s management team. Based on such review and discussions, the compensation committee recommended to the board of directors that this Compensation Discussion and Analysis be included in the Proxy Statement and be included in the Annual Report on Form 10-K we filed with the SEC for the fiscal year ended January 31, 2021.

Compensation Committee

Michael Stankey (Chairperson)  
Robert L. Dixon, Jr.  
Rebecca Saeger  
Michelle Wilson

## EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of January 31, 2021 regarding shares of our common stock that may be issued under our equity compensation plans, consisting of the 2009 Stock Plan, the 2017 Plan and the 2017 Employee Stock Purchase Plan (the “2017 ESPP”).

<u>Plan category</u>	Equity Compensation Plan Information		
	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plan (Excluding Securities Referenced in Column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders <sup>(1)</sup> :	12,702,220 <sup>(2)</sup>	\$18.9323 <sup>(3)</sup>	25,207,534 <sup>(4)</sup>
Equity compensation plans not approved by security holders:	N/A	N/A	N/A
<b>Total</b>	<b>12,702,220</b>	<b>\$18.9323</b>	<b>25,207,534</b>

<sup>(1)</sup> The 2017 Plan provides that the number of shares of Class A common stock reserved and available for issuance under the 2017 Plan will automatically increase each February 1, beginning on February 1, 2018, by 5% of the outstanding number of shares of our Class A and Class B common stock on the immediately preceding January 31 or such lesser number of shares as determined by our compensation committee. The 2017 ESPP provides that the number of shares of Class A common stock reserved and available for issuance under the 2017 ESPP will automatically increase each February 1, beginning on February 1, 2018, by 1% of the outstanding number of shares of our Class A and Class B common stock on the immediately preceding January 31 or such lesser number of shares as determined by our compensation committee. As of January 31, 2021, a total of 31,439,842 shares of our Class A common stock had been authorized for issuance pursuant to the 2017 Plan, which number excludes the 6,549,170 shares that were added to the 2017 Plan as a result of the automatic annual increase on February 1, 2021. This number will be subject to adjustment in the event of a stock split, stock dividend or other change in our capitalization. The shares of Class A and Class B common stock underlying any awards that are forfeited, cancelled, held back upon exercise or settlement of an award to satisfy the exercise price or tax withholding, reacquired by us prior to vesting, satisfied without the issuance of stock, expire or are otherwise terminated, other than by exercise, under the 2017 Plan and the 2009 Plan will be added back to the shares of Class A common stock available for issuance under the 2017 Plan (provided, that any such shares of Class B common stock will first be converted into shares of Class A common stock). We no longer make grants under the 2009 Plan. As of January 31, 2021, a total of 4,633,093 shares of our Class A common stock had been reserved for issuance pursuant to the 2017 ESPP, which number excludes the 1,309,834 shares that were added to the 2017 ESPP as a result of the automatic annual increase on February 1, 2021. This number will be subject to adjustment in the event of a stock split, stock dividend or other change in our capitalization.

<sup>(2)</sup> Includes 8,250,113 shares of Class A and Class B common stock issuable upon the exercise of outstanding options and 4,452,107 shares of Class A common stock issuable upon the vesting of RSUs.

<sup>(3)</sup> As RSUs do not have any exercise price, such units are not included in the weighted average exercise price calculation.

<sup>(4)</sup> As of January 31, 2021, there were 20,574,441 shares of Class A common stock available for grant under the 2017 Plan and 4,633,093 shares of Class A common stock available for grant under the 2017 ESPP.

## **SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information with respect to the beneficial ownership of our capital stock as of April 1, 2021, for:

- each person known by us to be the beneficial owner of more than five percent of the outstanding shares of our Class A or Class B common stock;
- each of our named executive officers;
- each of our directors; and
- all of our directors and executive officers as a group.

We have determined beneficial ownership in accordance with SEC rules, and thus it represents sole or shared voting or investment power with respect to our securities. Unless otherwise indicated below, to our knowledge, the persons and entities named in the table have sole voting and sole investment power with respect to all shares that they beneficially owned, subject to community property laws where applicable.

We have based percentage ownership of our capital stock on 123,977,557 shares of our Class A common stock and 8,159,447 shares of our Class B common stock outstanding on April 1, 2021. We have deemed shares of our common stock subject to options that are currently exercisable or exercisable within 60 days of April 1, 2021, to be outstanding and to be beneficially owned by the person holding the option for the purpose of computing the percentage ownership of that person, but have not treated them as outstanding for the purpose of computing the percentage ownership of any other person.

Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o Okta, Inc., 100 First Street, Suite 600, San Francisco, California 94105.

	Shares Beneficially Owned					
	Class A		Class B		Total Voting % <sup>†</sup>	Total Ownership %
	Shares	%	Shares	%		
<b>5% Stockholders:</b>						
Entities affiliated with The Vanguard Group <sup>(1)</sup>	11,041,746	8.9%	—	—	5.4%	8.4%
Entities affiliated with Blackrock <sup>(2)</sup>	9,513,480	7.7%	—	—	4.6%	7.2%
Entities affiliated with FMR <sup>(3)</sup>	9,046,822	7.3%	—	—	4.4%	6.8%
Entities affiliated with Morgan Stanley <sup>(4)</sup>	8,940,589	7.2%	—	—	4.3%	6.8%
<b>Named Executive Officers and Directors:</b>						
Todd McKinnon <sup>(5)</sup>	62,805	*	7,634,799	72.8%	33.4%	5.7%
William E. Losch <sup>(6)</sup>	43,929	*	478,442	5.8%	2.3%	*
J. Frederic Kerrest <sup>(7)</sup>	173,381	*	2,899,565	30.7%	13.4%	2.3%
Charles Race <sup>(8)</sup>	108,042	*	138,852	1.7%	*	*
Jonathan T. Runyan <sup>(9)</sup>	124,686	*	153,392	1.8%	*	*
Shellye Archambeau <sup>(10)</sup>	5,003	*	—	—	*	*
Robert L. Dixon, Jr. <sup>(11)</sup>	905	*	—	—	*	*
Patrick Grady <sup>(12)</sup>	106,744	*	—	—	*	*
Ben Horowitz <sup>(13)</sup>	796,569	*	—	—	*	*
Rebecca Saeger <sup>(14)</sup>	4,557	*	—	—	*	*
Michael Stankey <sup>(15)</sup>	17,270	*	190,000	2.3%	*	*
Michelle Wilson <sup>(16)</sup>	17,270	*	100,000	1.2%	*	*
All directors and executive officers as a group (15 persons) <sup>(17)</sup>	1,490,082	1.2%	11,671,717	94.5%	47.7%	9.6%

\* Represents less than one percent (1%).

† Percentage of total voting power represents voting power with respect to all shares of our Class A common stock and Class B common stock, as a single class. The holders of our Class A common stock are entitled to one vote per share, and holders of our Class B common stock are entitled to ten votes per share.

<sup>(1)</sup> Based on information reported by The Vanguard Group on Schedule 13G/A filed with the SEC on February 10, 2021. Of the shares of Class A common stock beneficially owned, The Vanguard Group reported that it has sole dispositive power with respect to 10,759,012 shares, shared dispositive power with respect to 282,734 shares, sole voting power with respect to none of the shares and shared voting power with respect to 123,857 shares. The Vanguard Group listed its address as 100 Vanguard Blvd., Malvern, PA 19355.

<sup>(2)</sup> Based on information reported by Blackrock, Inc. on Schedule 13G/A filed with the SEC on February 5, 2021. BlackRock, as a parent holding company or control person, may be deemed to beneficially own the indicated shares and has sole dispositive power over all of the shares and sole voting power over 8,597,330 shares. BlackRock reported its beneficial ownership on behalf of itself and the following: BlackRock Life Limited, BlackRock International Limited, BlackRock Advisors, LLC, BlackRock (Netherlands) B.V., BlackRock Institutional Trust Company, National Association, BlackRock Asset Management Ireland Limited, BlackRock Financial Management, Inc., BlackRock Japan Co., Ltd., BlackRock Asset Management Schweiz AG, BlackRock Investment Management, LLC, BlackRock Investment Management (UK) Limited, BlackRock Asset Management Canada Limited, BlackRock Asset Management Deutschland AG, BlackRock (Luxembourg) S.A., BlackRock Investment Management (Australia) Limited, BlackRock Advisors (UK) Limited, BlackRock Fund Advisors, BlackRock Asset Management North Asia Limited, BlackRock (Singapore) Limited, BlackRock Fund Managers Ltd. Blackrock, Inc. listed its address as 55 East 52nd Street, New York, NY 10055.

<sup>(3)</sup> Based on information reported by FMR LLC on Schedule 13G/A filed with the SEC on February 8, 2021. Of the shares of Class A common stock beneficially owned, FMR LLC reported that it has sole dispositive power with respect to all of the shares and sole voting power with respect to 1,927,243 shares. Abigail P. Johnson, Director, Chairman and Chief Executive Officer of FMR LLC, and members of the Johnson family, through their ownership of voting common shares and the execution of a shareholders' voting agreement with respect to FMR LLC, may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR LLC. Neither FMR LLC nor Abigail P. Johnson has the sole power to vote or direct the voting of the shares owned directly by the various investment companies registered under the Investment Company Act ("Fidelity Funds") advised by Fidelity Management & Research Company, a wholly owned subsidiary of FMR LLC, which power resides with the Fidelity Funds' Boards of Trustees. Fidelity Management & Research Company carries out the voting of the shares under written guidelines established by the Fidelity Funds' Boards of Trustees. FMR LLC listed its address as 245 Summer Street, Boston, Massachusetts 02210.

<sup>(4)</sup> Based on information reported by Morgan Stanley on Schedule 13G filed with the SEC on February 12, 2021. Of the shares of Class A common stock beneficially owned, Morgan Stanley reported that it has shared dispositive power with respect to all of the shares and

shared voting power with respect to 8,054,436 shares. Morgan Stanley, as a parent holding company, may be deemed to beneficially own the indicated shares which are held by Morgan Stanley Investment Management Inc., a wholly-owned subsidiary of Morgan Stanley. Morgan Stanley listed its address as 1585 Broadway New York, NY 10036.

- (5) Consists of (i) 9,787 shares of Class A common stock held of record by Mr. McKinnon, (ii) 5,182,781 shares of Class B common stock held of record by Mr. McKinnon, as trustee of the McKinnon Stachon Family Trust, (iii) 128,247 shares of Class B common stock held of record by Mr. McKinnon's brother-in-law, as trustee of the McKinnon Irrevocable Trust, (iv) 53,018 shares of Class A common stock subject to outstanding options that are exercisable within 60 days of April 1, 2021 and (v) 2,323,771 shares of Class B common stock subject to outstanding options that are exercisable within 60 days of April 1, 2021. Mr. McKinnon and his wife share voting and dispositive power over the McKinnon Stachon Family Trust. Mr. McKinnon's wife, in her role as the sole member of the investment committee of the McKinnon Irrevocable Trust, has voting and dispositive power with respect to the shares held of record by Mr. McKinnon's brother-in-law, as trustee of the McKinnon Irrevocable Trust, and Mr. McKinnon has no voting and dispositive power with respect to such shares.
- (6) Consists of (i) 27,335 shares of Class A common stock held of record by Mr. Losch, (ii) 448,706 shares of Class B common stock held of record by William Losch and Susanne Losch, Trustees of the Losch 2006 Trust, (iii) 16,594 shares of Class A common stock subject to outstanding options that are exercisable within 60 days of April 1, 2021 and (iv) 29,736 shares of Class B common stock subject to outstanding options that are exercisable within 60 days of April 1, 2021. Mr. Losch and Mrs. Losch share voting and dispositive power over the Losch 2006 Trust.
- (7) Consists of (i) 20,978 shares of Class A common stock held of record by Mr. Kerrest in an individual capacity, (ii) 152,403 shares of Class A common stock subject to outstanding options that are exercisable within 60 days of April 1, 2021, (iii) 1,272,962 shares of Class B common stock subject to outstanding options that are exercisable within 60 days of April 1, 2021, (iv) 1,358,901 shares of Class B common stock held of record by Mr. Kerrest and his wife, as trustees of the Kerrest Family Revocable Trust and (v) 267,702 shares of Class B common stock held of record by the Commonwealth Trust Company, as trustee of the Kerrest Irrevocable Trust. Mr. Kerrest has sole voting power and sole dispositive power with respect to the shares described in (i) through (iii). Mr. Kerrest has shared voting power and shared dispositive power with respect to the shares held of record by Mr. Kerrest and his wife, as trustees of the Kerrest Family Revocable Trust. Mr. Kerrest's father, in his role as the sole member of the investment committee of the Kerrest Irrevocable Trust, has voting and dispositive power with respect to the shares held of record by the Commonwealth Trust Company, as trustee of the Kerrest Irrevocable Trust, and Mr. Kerrest has no voting and dispositive power with respect to such shares.
- (8) Consists of (i) 35,369 shares of Class A common stock held of record by Mr. Race, (ii) 72,673 shares of Class A common stock subject to outstanding options that are exercisable within 60 days of April 1, 2021 and (iii) 138,852 shares of Class B common stock subject to outstanding options that are exercisable within 60 days of April 1, 2021.
- (9) Consists of (i) 54,378 shares of Class A common stock held of record by the Runyan 2017 Trust dtd 07/11/2017, Jonathan Runyan & Kimberly Runyan TTEE, (ii) 70,308 shares of Class A common stock subject to outstanding options that are exercisable within 60 days of April 1, 2021 and (iii) 153,392 shares of Class B common stock subject to outstanding options that are exercisable within 60 days of April 1, 2021. Mr. Runyan and Mrs. Runyan share voting and dispositive power over the Runyan 2017 Trust dtd 07/11/2017.
- (10) Consists of 5,003 shares of Class A common stock held of record by Ms. Archambeau.
- (11) Consists of 905 shares of Class A common stock held of record by Mr. Dixon.
- (12) Consists of 106,744 shares of Class A common stock held of record by Mr. Grady.
- (13) Consists of 796,569 shares of Class A common stock held of record by a family trust for which Mr. Horowitz is a trustee.
- (14) Consists of 4,557 shares of Class A common stock held of record by Ms. Saeger.
- (15) Consists of (i) 17,270 shares of Class A common stock held of record by Mr. Stankey and (ii) 190,000 shares of Class B common stock subject to outstanding options that are exercisable within 60 days of April 1, 2021.
- (16) Consists of (i) 17,270 shares of Class A common stock held of record by Ms. Wilson and (ii) 100,000 shares of Class B common stock held of record by Ms. Wilson.
- (17) Consists of (i) 1,121,455 shares of Class A common stock beneficially owned by our named executive officers, other executive officers and directors as a group, (ii) 7,486,337 shares of Class B common stock beneficially owned by our named executive officers, other executive officers and directors as a group, (iii) 368,627 shares of Class A common stock subject to outstanding options that are exercisable within 60 days of April 1, 2021 and (iv) 4,185,380 shares of Class B common stock subject to outstanding options that are exercisable within 60 days of April 1, 2021.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

### Certain Relationships and Transactions

In addition to the compensation arrangements, including employment, termination of employment and change in control arrangements and indemnification arrangements, the following is a description of each transaction since February 1, 2020 and each currently proposed transaction in which:

- Okta was or will be a participant;
- the amount involved exceeded or exceeds \$120,000; and
- any of our directors, executive officers or holders of more than 5% of our capital stock, or any immediate family member of, or person sharing the household with, any of these individuals, had or will have a direct or indirect material interest.

We have granted stock options to our executive officers and certain of our directors, and we have granted RSUs to our directors and our executive officers. See the sections titled “Executive Compensation” and “Corporate Governance—Non-Employee Director Compensation” for a description of these options and RSUs.

We have entered into change in control arrangements with certain of our executive officers that, among other things, provide for certain severance and change in control benefits. See the section titled “Executive Compensation—Compensation Discussion and Analysis—Post-Employment Compensation Arrangements” for more information regarding these agreements.

### Limitation of Liability and Indemnification of Officers and Directors

Our certificate of incorporation contains provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by Delaware law. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for the following:

- any breach of their duty of loyalty to our company or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or
- any transaction from which they derived an improper personal benefit.

Any amendment to, or repeal of, these provisions will not eliminate or reduce the effect of these provisions in respect of any act, omission or claim that occurred or arose prior to that amendment or repeal. If the Delaware General Corporation Law is amended to provide for further limitations on the personal liability of directors of corporations, then the personal liability of our directors will be further limited to the greatest extent permitted by the Delaware General Corporation Law.

In addition, our bylaws provide that we will indemnify, to the fullest extent permitted by law, any person who is or was a party or is threatened to be made a party to any action, suit or proceeding by reason of the fact that he or she is or was one of our directors or officers or is or was serving at our request as a director or officer of another corporation, partnership, joint venture, trust, or other enterprise. Our bylaws also provide that we may indemnify to the fullest extent permitted by law any person who is or was a party or is threatened to be made a party to any action, suit or proceeding by reason of the fact that he or she is or was one of our employees or agents or is or was serving at our request as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise. Our bylaws provide that we must advance expenses incurred by or on behalf of a director or officer in advance of the final disposition of any action or proceeding, subject to very limited exceptions.

Further, we have entered into indemnification agreements with each of our directors and executive officers that may be broader than the specific indemnification provisions contained in the Delaware General Corporation Law. These indemnification agreements require us, among other things, to indemnify our directors and executive

officers against liabilities that may arise by reason of their status or service. These indemnification agreements also require us to advance all expenses incurred by the directors and executive officers in investigating or defending any such action, suit or proceeding. We believe that these agreements are necessary to attract and retain qualified individuals to serve as directors and executive officers.

The limitation of liability and indemnification provisions that are included in our certificate of incorporation, bylaws and in indemnification agreements that we enter into with our directors and executive officers may discourage stockholders from bringing a lawsuit against our directors and executive officers for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against our directors and executive officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder's investment may be harmed to the extent that we pay the costs of settlement and damage awards against directors and executive officers as required by these indemnification provisions.

We have obtained insurance policies under which, subject to the limitations of the policies, coverage is provided to our directors and executive officers against loss arising from claims made by reason of breach of fiduciary duty or other wrongful acts as a director or executive officer, including, without limitation, claims relating to public securities matters, and coverage is provided to us with respect to payments that may be made by us to these directors and executive officers pursuant to our indemnification obligations or otherwise as a matter of law.

Certain of our non-employee directors may, through their relationships with their employers or affiliated entities, be insured and/or indemnified against certain liabilities incurred in their capacity as members of our board.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling our company pursuant to the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

### **Procedures for Approval of Related Party Transactions**

Our audit committee charter provides that our audit committee has the primary responsibility for reviewing and approving or disapproving "related party transactions," which are transactions between us and related persons in which the aggregate amount involved exceeds or may be expected to exceed \$120,000 and in which a related person has or will have a direct or indirect material interest. For purposes of this policy, a related person is defined as a director, executive officer, nominee for director, or greater than 5% beneficial owner of our common stock, in each case since the beginning of the most recently completed fiscal year, and their immediate family members.

## **DELINQUENT SECTION 16(a) REPORTS**

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who own more than 10% of a registered class of our equity securities, to file reports of ownership on Form 3 and changes in ownership on Form 4 or 5 with the SEC and the Nasdaq. Such executive officers, directors and stockholders also are required by SEC rules to furnish us with copies of all Section 16(a) forms that they file.

To our knowledge, based solely on our review of the copies of such reports furnished to us and written representations that no other reports were required to be filed during fiscal 2021, we believe that for fiscal 2021, all required reports were filed on a timely basis under Section 16(a), except for the following: Messrs. Kerrest, Kramer, Losch, McKinnon, Race and Runyan each had one report relating to the quarterly vesting of three previously reported RSU awards on Sunday, March 15, 2020 that was inadvertently filed one day late on March 18, 2020.

## **ADDITIONAL INFORMATION**

Our board knows of no other matters that will be presented for consideration at the Annual Meeting. If any other matters are properly brought before the Annual Meeting, the persons appointed in the accompanying proxy intend to vote the shares represented thereby in accordance with their best judgment on such matters, under applicable laws.

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-K**

(Mark One)

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

For the fiscal year ended January 31, 2021

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**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**100 First Street, Suite 600  
San Francisco  
California  
94105**

**26-4175727**  
(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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes

No

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, 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes

No

The aggregate market value of the stock of the Registrant as of July 31, 2020 (based on a closing price of \$220.98 per share) held by non-affiliates was approximately \$26.2 billion. As of February 28, 2021, there were 123,053,024 shares of the Registrant's Class A Common Stock and 8,159,447 shares of the Registrant's Class B Common Stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive Proxy Statement relating to the 2021 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended January 31, 2021.



Okta, Inc.

Form 10-K

For the Fiscal Year Ended January 31, 2021

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## Special Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K 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, product development, business strategy, plans, market trends, opportunities, positioning, and the anticipated impact on our business of the COVID-19 pandemic, related public health measures and any associated economic downturn. These forward-looking statements are made as of the date they were first issued and were based on current expectations, estimates, forecasts and projections as well as the beliefs and assumptions of management. 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 or the negative of these terms and similar expressions are intended to identify these forward-looking statements, although not all forward-looking statements include these identifying words. The forward-looking statements are contained principally in "Management's Discussion and Analysis of Financial Condition and Result of Operations" and "Risk Factors."

Forward-looking statements contained in this Annual Report on Form 10-K 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 the global COVID-19 pandemic on our business and operations;
- 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;
- our ability to maintain the security and availability of our internal networks and platform;
- our ability to increase our number of 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 manage our growth and future expenses;
- our ability to expand our network of channel partners;
- our ability to form and expand partnerships with independent software vendors and system integrators;
- our ability to introduce new products, enhance existing products and address new use cases;
- our ability to add new integration partners;
- our ability to grow our international business;
- our ability to maintain, protect and enhance our intellectual property;
- our ability to comply with modified or new laws and regulations applying to our business;
- the attraction and retention of qualified employees and key personnel;
- our anticipated investments in sales and marketing and research and development;
- our ability to comply with modified or new laws and regulations applying to our business, including GDPR (as defined below), and other privacy regulations that may be implemented in the future;
- the impact of recent accounting pronouncements on our financial statements;
- our ability to successfully defend litigation brought against us; and
- our ability to successfully integrate and realize the benefits of strategic acquisitions or investments, including our proposed acquisition of Auth0, Inc. (Auth0).

Forward-looking statements are subject to a number of risks and uncertainties, many of which involve factors or circumstances that are beyond our control. Our actual results could differ materially from those stated or implied in forward-looking statements due to a number of factors, including but not limited to, risks detailed in "Risk Factors" in this Annual Report on Form 10-K as well as other documents that may be filed by us from time to time with the Securities and Exchange Commission. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can

we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Annual Report on Form 10-K may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, except as required by law, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this Annual Report on Form 10-K to conform these statements to actual results or to changes in our expectations.

## Part I

### Item 1. Business

#### Overview

Okta is the leading independent identity management platform for the enterprise. Our vision is to enable everyone to safely use any technology, and we believe identity is the key to making that happen. Our mission is to bring simple and secure digital access to people and organizations everywhere. The Okta Identity Cloud is powered by our category-defining platform that enables our customers to securely connect the right people to the right technologies and services at the right time.

The Okta Identity Cloud helps organizations effectively harness the power of cloud, mobile and web technologies by securing users and connecting them with the applications and technology they use. We designed the Okta Identity Cloud to provide organizations an integrated approach to managing and securing every identity in an organization. Every day, thousands of organizations and millions of people use Okta to securely access a wide range of cloud, mobile and web applications, on-premises servers, application program interfaces (APIs), IT infrastructure providers and services from a multitude of devices. Developers leverage our platform to securely and efficiently embed identity into the software they build, allowing them to focus on their core mission. Employees and contractors sign into the Okta 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 online and via mobile devices. As we add new customers, users, developers and integrations to our platform, our business, customers, partners and users benefit from powerful network effects that increase the value and security of the Okta Identity Cloud.

The acceleration of digital transformations, cloud modernization and changing consumer expectations to simple, secure digital experiences are driving a shift in how organizations manage consumer identities on the internet. Organizations are building secure consumer-facing applications and are turning to identity to optimize seamless and private user experiences. Our approach provides organizations with the scale, efficiency and security they need to build customer facing applications.

Given the growth trends in the number of applications and cloud adoption, and the movement to remote 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.

We designed the Okta Identity Cloud to provide organizations an integrated approach to managing and securing all of their identities. Our platform allows our customers to easily provision their customers, employees, contractors, and partners, enabling any user to connect to any device, cloud or application, all with a simple, intuitive and consumer-like user experience.

As of January 31, 2021, more than 10,000 customers across nearly every industry used the Okta Identity Cloud 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 partner with leading application, infrastructure and security vendors, such as Amazon Web Services, Cisco, CrowdStrike, Google Cloud, Microsoft, Netskope, Proofpoint, Salesforce, ServiceNow, VMware and Workday. We had over 7,000 integrations with cloud, mobile and web applications and IT infrastructure providers as of January 31, 2021, which while not directly correlated to revenue, shows the breadth and acceptance of our platform.

We employ a Software-as-a-Service (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 their spending with us through expanding the number of users who access the Okta Identity Cloud and up-selling additional products. We sell our products 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.

On March 3, 2021, we entered into a definitive agreement to acquire Auth0, Inc. (Auth0) pursuant to an Agreement and Plan of Merger (the Merger Agreement). Upon consummation of the transaction contemplated by the Merger Agreement, all outstanding shares of Auth0 capital stock, options, warrants, convertible securities, phantom equity and other outstanding equity interests will be cancelled in exchange for aggregate consideration of \$6.5 billion in the form of shares of Class A common stock of the Company and assumed awards of corresponding Company equity interests, subject to customary purchase price adjustments and certain customary cash payouts in lieu of shares of Company Class A common stock, as provided by the Merger Agreement. The purchase price payable in shares of Class A common stock will be valued at \$276.2147 per share (which price was calculated based on the daily volume-weighted average sales price per share of Company Class A common stock for the 20 trading days ending on February 26, 2021). The per share price of these shares has been fixed as of the Merger Agreement signing date, and the aggregate value of these shares will fluctuate based on changes in our share price between the signing and closing dates.

Auth0 is an identity management platform for application developers that provides solutions to add authorization and authentication services to developer applications. The proposed transaction is expected to close during the Company's second quarter of fiscal 2022, the quarter ending July 31, 2021. The closing of this transaction is subject to certain customary closing conditions and approvals.

### **The Okta Identity Cloud**

The Okta Identity Cloud is an independent and neutral cloud-based identity solution that allows our customers to integrate with nearly any application, service or cloud that they choose through our secure, reliable and scalable platform and cloud infrastructure. Our technological neutrality allows our customers to easily adopt the best technologies, and our platform is designed to securely connect users to the technology that they choose. We prioritize the compatibility of the Okta Identity Cloud with public clouds, on-premises infrastructures and hybrid clouds. Our customers use the Okta Identity Cloud to secure their workforces, to create solutions that make their partner networks more collaborative, and to provide more seamless and secure experiences for their customers or end users, which combined with our open approach, enables our customers to future-proof their environments.

The Okta Identity Cloud can be used as the central system for an organization's connectivity, access, authentication and identity lifecycle management needs spanning all of its users, technology and applications.

We enable our customers to easily deploy, manage and secure applications and devices, and to provision and support users across their IT environments, with a simple, intuitive, consumer-like user experience. Developers are similarly able to leverage a robust set of tools through the platform to quickly build custom cloud, mobile and web application experiences that leverage the breadth and depth of capabilities within the Okta Identity Cloud. Once deployed, we enable administrators to enforce contextual access management decisions based on conditions such as user identity, device, location, application identity, IP reputation and time of day.

The Okta Identity Cloud is used by organizations in two distinct and powerful ways. Our customers use it to manage and secure their employees, contractors and partners, which we refer to as workforce identity. Our customers also use it to enable, manage and secure the identities of their own customers via the powerful APIs we have developed, which we refer to as customer identity. The Okta Identity Cloud is underpinned by Okta Platform Services which are the foundational platform components that power our product features.

### **The Okta Identity Cloud for Workforce Identity**

In workforce identity use cases, the Okta Identity Cloud simplifies the way an organization's employees, contractors and partners connect to its applications and data from any device, while increasing efficiency and keeping IT environments secure. We enable organizations to provide their workforces with immediate and secure access to every application they need from any device they use, without requiring multiple credentials, which significantly enhances user connectivity and productivity. We offer our customers an additional security layer through our Adaptive Multi-Factor Authentication product. Our Universal Directory product also serves as a system of record to help our customers organize, customize and manage their users. Our Lifecycle Management product enables customers to manage users' access privileges through their entire lifecycle with a no-code approach that improves administrative efficiency and productivity. Our Advanced Server Access product is designed to significantly improve our customers' ability to secure access to cloud-based and on-premises servers, while Okta Access Gateway enables our customers to extend the Okta Identity Cloud to their existing on-premises applications. The Okta Identity Cloud enables our customers to automate access across their growing ecosystem of employees, contractors and partners, increasing collaboration across their workforces.

## The Okta Identity Cloud for Customer Identity

In customer identity use cases, the Okta Identity Cloud enables organizations to transform their own customers' experiences by empowering development teams to rapidly and securely build customer-facing cloud, mobile or web applications. We enable an organization's product team to layer our powerful identity platform into their cloud, web and mobile applications. This makes it easier for them to authenticate, manage, scale and secure their connections, enabling rapid time to market for the business. Organizations are able to centrally manage policy and API-level access across all their applications, leading to more seamless customer experiences that are personalized, engaging and secure.

## Okta Platform Services

In order to enable customers and partners to address a wide range of identity use cases, we have built a set of modular components, called Okta Platform Services, which can be combined to build new features and tailored experiences faster. Okta Platform Services are available in Okta packaged products through APIs and software development kits (SDKs). Okta Platform Services can be used across both workforce and customer identity use cases. We expect to use Okta Platform Services to continue to enable new and expanded use cases and enable customers or third-party developers to build their own solutions based on an industry use case or unique customer need. Okta Platform Services include Okta's Identity Engine, Workflows, Devices, Integrations and Insights.

## Growth Strategy

Key elements of our growth strategy are to:

### ***Execute with Our Platform***

- ***Drive New Customer Growth.*** To increase our market share, we intend to continue to grow our customer base using a land-and-expand sales model, with a focus on key markets by size of customers, as well as key verticals, including highly-regulated sectors.
- ***Deepen Relationships Within Our Existing Customer Base.*** We plan to further increase revenue from our existing customers by cross-selling and up-selling additional and new products. We also believe we can expand our footprint by focusing on current customers that have deployed the Okta Identity Cloud for workforce identity, and expanding those customers' use of our platform for customer identity, or vice versa.
- ***Expand Our Channel Partner Ecosystem.*** We also plan to expand our indirect sales network to leverage the sales efforts of resellers, system integrators and other distribution partners, and to increase the contribution we receive from these channel partners.
- ***Expand Our International Footprint.*** With 16% of our revenue generated outside of the United States in fiscal 2021, and our international revenue growing 46% from fiscal 2020 to fiscal 2021, we believe there is significant opportunity to continue to grow our international business. We believe global demand for our products will continue to be a long-term opportunity as organizations outside the United States fully embrace the transition to cloud computing, and larger international organizations take advantage of technology consolidation within their global locations.

### ***Increase Our Opportunities***

- ***Innovate and Extend Our Platform with New Products.*** We intend to continue making significant investments in research and development, hiring top technical talent and maintaining an agile organization. In addition, we intend to selectively pursue acquisitions and strategic investments in businesses and technologies to extend our platform. By continuing to innovate, introduce new products and extend our platform to additional use cases, we believe that we can offer increasing value to our existing and potential customers.
- ***Extend Our Accessible Market with New Use Cases.*** As technology and our customers' needs evolve, we plan to use our platform to help our customers address new challenges, regulatory requirements and use cases.
- ***Leverage Our Integrations.*** The Okta Integration Network is an extensive partner ecosystem, which includes over 7,000 integrations with cloud, mobile and web applications and IT infrastructure

providers. We plan to continue these partnerships as well as add new integration partners to enrich our user experience and expand our customer base. We view our investment in these partnerships as a force multiplier that enables us to build and promote complementary capabilities that benefit our customers.

- **Expand our Developer Ecosystem.** We want to empower every application developer to use the Okta Identity Platform to securely build authentication into any application. We believe that our secure and seamless access solutions enable developers to focus their time and attention on building their core application capabilities while relying on the Okta Identity Platform for their identity related requirements. We currently offer a free developer license, and we plan to create additional SDKs and APIs to make our platform more extensible and allow developers to build applications and services that extend its functionality.

- **Leverage Our Unique Data Assets with Powerful Analytics.** Our position at the intersection of people, devices, applications and infrastructure gives us unique access to powerful data, and the opportunity to provide differentiated insights based on that data, as well as predictive capabilities based on that data to help keep customers more secure. We expect the value of our analytics to our customer base will increase as customers continue to connect more devices, applications and users to their networks and as we add more customers. We also expect that our analytics ability will enable our customers to use our data and third-party data from our partners, to help customers make more informed and secure access decisions. We do not currently derive direct revenue from our unique data assets, but we may explore opportunities for monetization in the future.

- **Mergers and Acquisitions and Investments.** From time to time, we evaluate opportunities to acquire or invest in emerging and adjacent technologies to complement our organic investments and improve our products, services and customers' experiences. We will continue to use these types of strategic levers as opportunities arise.

## Our Products

The Okta Identity Cloud consists of an independent platform with a suite of products and services to manage and secure identities. We are continuously enhancing these products and services. Most of our products can be used for both customer identity and for workforce identity use cases. Our workforce identity products are consumed through web and mobile interfaces, and provide simple ways for IT organizations to manage identities for their employees, contractors and partners. For customer identity, our APIs are also used by developers to embed Okta identity functionality into their own customer-facing mobile or web applications. We continuously improve the Okta Identity Cloud through the release and development of additional products, features and services.

### Products

- **Universal Directory.** Universal Directory provides a centralized, cloud-based system of record to store and secure user, application and device profiles for an organization. Users and profiles stored in the directory can be used with our Single Sign-On product to manage passwords and authentication, or can be used by developers to store and authenticate the users of their applications. When used for workforce identity, Universal Directory becomes a customer's system of record for all of its employees, contractors and partners. When used for customer identity, Universal Directory becomes a customer's secure system of record for management of all of its users.

- **Single Sign-On.** When used to manage and secure identities for a customer's workforce, Single Sign-On enables users to access all of their applications, whether in the cloud or on-premise, from any device, with a single entry of their user credentials. We combine secure access, modern protocols, flexible policies and a consumer-like user experience to permit organizations to easily allow customers or partners to sign in to their applications with their existing identity information. Single Sign-On also enables built-in reporting and analytics that provide real-time search functionalities across users, devices, applications and the associated access and usage activity. When used for customer identity, Single Sign-On enables secure authentication for applications by external customers.

- **Adaptive Multi-Factor Authentication.** Adaptive Multi-Factor Authentication is a comprehensive, but simple-to-use, product that provides an additional layer of security for an organization's cloud, mobile and web applications and data. We offer an intelligent approach to security, built on contextual data. Adaptive Multi-Factor Authentication includes a policy framework that is integrated with a broad set of cloud

and on-premises applications and network infrastructures. It offers adaptive, risk-based authentication that leverages data intelligence from across the Okta network of thousands of organizations.

- **Lifecycle Management.** Lifecycle Management enables IT organizations or developers to manage a user's identity throughout its entire lifecycle. It automates IT processes and ensures user accounts are created and deactivated at the appropriate times, including the workflow and policies needed to power those processes. With Okta Lifecycle Management, organizations can securely manage the entire identity lifecycle, from on-boarding to off-boarding, and ensure compliance requirements are met as user roles evolve and access levels change.

- **API Access Management.** API Access Management enables organizations to secure APIs as systems connect to each other. Access to these APIs is managed based on the user, which enables organizations to centrally maintain one set of permissions for any employee, partner or customer across every point of access. API Access Management reduces development time, boosts security, helps in achieving compliance and enables seamless end-user experiences by providing a unified portable service for authorizing secure and always available access to any API.

- **Access Gateway.** Access Gateway enables organizations to extend the Okta Identity Cloud, which is a cloud native platform, from the cloud to their existing on-premises applications, so that they can harness the benefits of Okta to manage all of their critical systems, whether in the cloud, on-premises or hybrid. Extending the benefits of the Okta Identity Cloud to hybrid IT environments delivers a single point of management for our customers' administrators and a single location from which end users can access their critical applications.

- **Advanced Server Access.** Advanced Server Access offers continuous, contextual access management to secure cloud infrastructure. Organizations can continuously manage and secure access to on-premises Windows and Linux servers and across leading Infrastructure-as-a-Service vendors, including Amazon Web Services, Google Cloud Platform and Microsoft Azure. Advanced Server Access enables our customers to centralize access controls in a seamless manner to better mitigate the risk of credential theft, reuse, sprawl and abandoned administrative accounts.

By focusing on identity, the one constant in an ever-changing technology and threat landscape, the Okta Identity Cloud provides our customers with a solution to solve their IT and security challenges, facilitate their adoption of a Zero Trust security model and enable their digital transformation.

## **Our Technology**

We focus on engineering an intuitive, but comprehensive, platform to solve complex problems. Our pure cloud architecture is multi-tenant, encrypted and third-party validated. Our service also allows us to integrate into our customers' on-premises components and hybrid configurations.

### ***One Platform with Differentiated Administration, User and Developer Experience***

The Okta Identity Cloud is built on one common platform and user interface framework, offering administrators and users a consistent, easy-to-use, consumer-like experience across our products. Our technology integrates with industry-leading browsers and mobile applications to provide seamless access to nearly any web or native mobile application. We also heavily leverage operating system management and security technologies across desktops, laptops and mobile devices to provide a transparent, but secure experience for users across a range of devices. These integrations allow us to seamlessly deliver connectivity use cases that previously required significant custom development to achieve.

### ***Robust Security***

Security is a mission-critical issue for Okta and for our customers. Our approach to security spans day-to-day operational practices to the design and development of our software to how customer data is segmented and secured within our multi-tenant platform. We ensure that access to our platform is securely delegated across an organization. Our source code is updated weekly, and there are audited and verifiable security checkpoints to ensure source code fidelity and continuous security review. We have attained multiple SOC 2 Type II Attestations, CSA Star Level 2 Attestation, ISO/IEC 27001:2013, ISO/IEC 27018:2019 and Health Insurance Portability and Accountability Act (HIPAA) certifications and multiple agency Federal Risk and Authorization Management Program (FedRAMP) Moderate Authorities to Operate. We also support FIPS 140-2 validated encryption in our Okta Verify MFA product.

## ***Scalability and Uptime***

Our technical operations and engineering teams are designed around the concept of an always-on, highly redundant and available platform that we can upgrade without customer disruption. Our products and architecture were built entirely in and for the cloud with availability and scalability at the center of the design and were built to be agnostic with respect to the underlying infrastructure. Our maintenance windows do not require any downtime.

Our proprietary cell architecture includes redundant, active-active availability zones with cross-continental disaster recovery centers, real-time database replication and geo-distributed storage. If one of our systems goes down, another is quickly promoted. Our architecture is designed to scale both vertically by increasing the size of the application tiers and horizontally by adding new geo-distributed cells.

The Okta Identity Cloud is monitored not only at the infrastructure level but also at the application and third-party integration level. Synthetic transaction monitoring allows our technical operations team to detect and resolve issues proactively.

## ***Okta Integration Network***

The Okta Integration Network contains over 7,000 integrations with cloud, mobile and web applications, IoT devices and IT infrastructure providers, including Amazon Web Services, Atlassian, Cisco, F5 Networks, Google Cloud Platform, Microsoft Office 365, NetSuite, Oracle, Palo Alto Networks, Proofpoint, Salesforce, SAP, ServiceNow, Slack, Splunk, VMware, Workday and Zoom. At the core of the Okta Integration Network is a patented technology that allows our customers to seamlessly connect to any application or type of device that is already integrated into our network. In addition, customers can extend the Okta Integration Network by creating their own integrations to both cloud and on-premises proprietary applications.

## **Our Customers**

As of January 31, 2021, we had more than 10,000 customers on our platform, including more than 1,950 customers with an annual contract value greater than \$100,000. Our customers span nearly all industry verticals and range from small organizations with fewer than 100 employees to companies in the Fortune 50, with up to hundreds of thousands of employees, some of which use the Okta Identity Cloud to manage millions of their customers' identities.

## **Sales and Marketing**

### ***Sales***

We sell directly to customers through our inside and field sales force and also indirectly through our extensive ecosystem of channel partners. Once a sale is made, we leverage our land-and-expand sales model to generate incremental revenue, often within the term of the initial agreement, through the addition of new users and the sale of additional products. In many instances, we find that initial customer success with our platform results in key internal decision makers expanding their deployments, for example, from initial use for workforce identity to expanded use for their customer identity needs. Furthermore, as our customers are successful in their businesses and increase headcount or the number of their customers, we share in their growth as the number of identities that we manage increases.

Our sales organization is structured to address the specific needs of each segment of our target market. Our sales team is divided by geography, customer size and industry vertical. Our direct sales force is supported by our sales engineers, security team, cloud architects, professional services team and other technical resources.

We benefit from an expansive partner ecosystem that helps drive additional sales. Nearly all of the leading cloud application providers are our partners, and many of them drive further customer acquisition for us through co-selling arrangements, building our offerings directly into their products, and product demonstrations running on the Okta Identity Cloud. We also partner with several of the large technology companies that are driving the movement to the cloud. In addition to these technology partners, we leverage our channel partners, including system integrators, traditional VARs and Government VARs, to broaden the range of customers we reach.

### ***Marketing***

Our most valuable marketing features our customers and their successes, and is informed by a deeply data-driven approach, giving us insights into the efficacy of our efforts. Our marketing efforts focus on promoting our

industry-leading identity platform, establishing our brand, generating awareness, creating sales leads and cultivating the Okta Community.

A centerpiece of our marketing strategy is our annual customer conference, Oktane, that features customers sharing their success stories, new product and feature announcements and hands-on product labs. We also host a number of other events, such as Okta Showcase, a key event for product and feature announcements, where we engage with both existing customers and new prospects, as well as deliver product training.

### **Research and Development**

Our research and development organization is responsible for the design, architecture, creation and the quality of the Okta Identity Cloud. The research and development organization also works closely with our technical operations team to ensure the successful deployment and monitoring of our platform. We use test automation and application monitoring to ensure the Okta Identity Cloud is always-on.

### **Customer Support and Professional Services**

Our products are designed for ease of use and fast deployments. As part of our customer first strategy, we are focused on customer success and offer several programs to help our customers maximize their success with our products. These programs leverage the expertise and best practices that we have built while helping thousands of Okta customers to adopt and deploy our products.

#### ***Customer Support and Training Services***

We offer three tiers of support, each of which builds upon the previous tier. We provide live webinars as well as on-demand instructional videos to provide our customers with information about product features, functionality and our most common customer use cases.

#### ***Professional Services***

Our professional services team provides assistance to customers in the deployment of the Okta Identity Cloud and includes identity and security experts, customized deployment plans and SmartStart, which provides a quick path to implementation.

#### ***Okta Community***

We have created the Okta Community, an online community available to all of our customers that enables them to connect with other customers and partners to ask questions and find answers.

### **Intellectual Property**

We protect our intellectual property through a combination of trademarks, domain names, copyrights, trade secrets and patents, as well as contractual provisions and restrictions on access to our proprietary technology.

As of January 31, 2021, we had twenty issued patents in the United States, which expire between 2030 and 2037 and cover various aspects of our products. In addition, as of such date, we also had five issued patents in Australia which expire between 2033 and 2037, five issued patents in New Zealand which expire between 2034 and 2037, and five issued European patents which have each been validated in Germany, France and Great Britain and expire between 2033 and 2036.

We have registered "Okta" as a trademark in the United States, Australia, Canada, China, the European Union, Japan and the United Kingdom. We also have filed other trademark applications pending in the United States and China. We also have registered in the United States the trademarks "Okta Your Cloud, Covered," "Enterprise Identity, Delivered," "Work Outside the Perimeter," "Oktane," "Never Build Auth Again" and "Zero Trusts Given."

We are the registered holder of a variety of domestic and international domain names that include "Okta" and similar variations.

In addition to the protection provided by our intellectual property rights, we enter into confidentiality and proprietary rights or similar agreements with our employees, consultants and contractors. Our employees,

consultants and contractors are also subject to invention assignment agreements. We further control the use of our proprietary technology and intellectual property through provisions in both general and product-specific terms of use.

Additional information regarding certain risks related to our intellectual property is included in Part I, Item 1A “Risk Factors” of this Annual Report on Form 10-K.

### **Our Competitors**

The markets for our products are rapidly evolving, highly competitive and subject to shifting customer needs and frequent introductions of new competing technologies. As the markets in which we operate continue to mature and new technologies and competitors enter those markets, we expect competition to intensify. Our competitor categories include:

- Authentication providers;
- 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, longer operating histories, greater resources to make strategic acquisitions and greater name recognition than we do. Our principal competitor is Microsoft.

Due to the flexibility and breadth of our platform, we can and often do co-exist alongside our competitors’ products within our customer base.

Principal competitive factors in our markets include flexibility, independence, product capabilities, total cost of ownership, time to value, scalability, user experience, number of pre-built integrations, customer satisfaction, global reach and ease of integration, management and use. We believe our product strategy, platform architecture, technology and independence as well as our company culture allow us to compete favorably on each of these factors.

We expect competition to increase as other established and emerging companies enter our markets, as customer requirements evolve, and as new products and technologies are introduced. We expect this to be particularly true as we are a cloud-based offering, and our competitors may also seek to acquire new offerings or repurpose their existing offerings to provide identity management solutions with subscription models. 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.

Additional information regarding our competition is included in Part I, Item 1A “Risk Factors” of this Annual Report on Form 10-K.

### **Human Capital Resources**

Our core values – love our customers, never stop innovating, act with integrity, be transparent and empower our people – inform and guide our human capital initiatives and objectives. In order to continue to innovate and drive customer success, it is crucial that we continue to attract, develop and retain exceptional talent. To that end, we strive to make Okta a diverse and inclusive workplace, with opportunities for our employees to grow and develop in their careers, supported by fair and competitive compensation, benefits and wellness programs, and by initiatives that foster connections between and among our employees and their communities.

As of January 31, 2021, we had 2,806 employees, of which approximately 83% were in the United States and 17% were in our international locations. We have not experienced any work stoppages, and we consider our relations with our employees to be good.

We encourage you to review the “Diversity, Inclusion and Belonging,” “Responsibility,” “Careers” and “Okta for Good” pages of our website at [www.okta.com](http://www.okta.com) for more detailed information regarding our human capital programs and initiatives. Additional information on our diversity, inclusion and belonging strategy, diversity metrics and programs can be found in our State of Inclusion at Okta Annual Report located on our website at [www.okta.com/state-of-inclusion-at-okta](http://www.okta.com/state-of-inclusion-at-okta). The information contained on, or that can be accessed through, our website is not incorporated by reference into this Annual Report on Form 10-K.

### ***Diversity, Inclusion and Belonging***

We are committed to fostering a culture of inclusion and belonging, and to building a diverse workforce to drive innovation and collective growth, which we believe is critical to our success. Over the past few years, we have prioritized our diversity, inclusion and belonging (DIB) program at Okta. Our DIB initiatives – spearheaded by our DIB department, Inclusion Council and employee resource groups (ERGs), in partnership with various other teams – focus on DIB in our workforce, in our workplace and in the community.

We employ inclusive recruitment and hiring practices to source diverse talent and mitigate potential bias throughout the hiring process. We also continue to recruit from a broad range of colleges and engage with organizations that support diverse students and jobseekers through our social impact arm, Okta for Good.

### ***Growth and Development***

We invest significant resources to develop talent and actively foster a learning culture where employees are empowered to drive their personal and professional growth. We offer extensive onboarding and training programs to prepare our employees at all levels for career progression and individual development.

### ***Compensation, Benefits and Wellness***

We provide robust compensation, benefits and wellness programs that help support the varying needs of our employees. In addition to market-competitive base pay, short-term bonus incentives and long-term equity incentives, our total rewards program includes comprehensive employee benefits and a variety of other health and wellness resources. We are committed to fair compensation and opportunity in our workplace.

### ***Dynamic Work***

We help our employees succeed by providing flexibility in where and how they work. Over the past few years, we introduced and began transitioning our workforce to a “Dynamic Work” framework, based on the premise that enabling our employees to work from anywhere can increase employee empowerment, satisfaction and productivity, drive efficiency and enable us to hire from a broader, more diverse pool of talent. In response to the COVID-19 pandemic, we accelerated our move to Dynamic Work to protect the health, safety and wellness of our employees.

### ***Community and Social Impact***

The mission of our social impact arm, Okta for Good, is to strengthen the connections between people, technology and community, which we believe fosters a more meaningful, fulfilling and enjoyable workplace. Our employees are passionate about many causes and Okta for Good connects them with numerous giving and volunteering opportunities in service of our communities. Okta for Good's core focus areas are:

- Developing technology for good ecosystems;
- Expanding economic opportunity and pathways into the technology sector;
- Supporting non-profits addressing critical needs in our global communities; and
- Empowering our employees to become changemakers.

Through Okta for Good, which is a part of our company and not a separate legal entity, we donate and discount access to our service for non-profit organizations, who use the Okta Identity Cloud to make their teams more efficient, allowing them to focus on making a meaningful impact in the world. Our employee volunteer program enables global team members to donate time to support charitable organizations worldwide.

In addition, prior to our initial public offering (IPO) in April 2017, we reserved 300,000 shares of our common stock to fund and support the operations of Okta for Good, of which 195,000 shares of Class A common stock remain reserved for future issuances.

### **Financial Information**

The financial information required under this Item 1 is incorporated herein by reference to the section of this Annual Report on Form 10-K titled "Part II-Item 8-Financial Statements and Supplementary Data." For financial information regarding our business, see "Part II-Item 7-Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report on Form 10-K and our consolidated audited financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

### **Corporate Information**

We were incorporated in 2009 as Saasure Inc., a California corporation, and were later reincorporated in 2010 under the name Okta, Inc. as a Delaware corporation. Our principal executive offices are located at 100 First Street, Suite 600, San Francisco, California 94105, and our telephone number is (888) 722-7871. Our website address is [www.okta.com](http://www.okta.com). Information contained on, or that can be accessed through, our website does not constitute part of this Annual Report on Form 10-K.

### **Additional Information**

The following filings are available through our investor relations website after we file them with the Securities and Exchange Commission (SEC): Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and our Proxy Statement for our annual meeting of stockholders. These filings are also available for download free of charge on our investor relations website. Our investor relations website is located at [investor.okta.com](http://investor.okta.com). The SEC also maintains an internet website that contains reports, proxy statements and other information about issuers, like us, that file electronically with the SEC. The address of that website is [www.sec.gov](http://www.sec.gov).

We webcast our earnings calls and certain events we participate in or host with members of the investment community on our investor relations website. Additionally, we provide notifications of news or announcements regarding our financial performance, including SEC filings, investor events, press and earnings releases, and blogs as part of our investor relations website. Further corporate governance information, including our corporate governance guidelines and code of conduct, is also available on our investor relations website under the heading "Corporate Governance." The contents of our websites are not intended to be incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with the SEC, and any references to our websites are intended to be inactive textual references only.

## **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 Annual Report on Form 10-K, including our 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:*

- The effects of the COVID-19 pandemic have affected how we and our customers are operating our businesses, and the duration and extent to which this will impact our future results of operations and overall financial performance remains uncertain.
- Adverse general economic and market conditions and reductions in workforce identity and customer identity spending may reduce demand for our products, which could harm our revenue, results of operations and cash flows.
- We have experienced rapid growth in recent periods, which makes it difficult to forecast our revenue and evaluate our business and future prospects.
- Our recent 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 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.
- An application, data security or network incident may allow unauthorized access to our systems or data or our customers' data, disable access to our service, harm our reputation, create additional liability and adversely impact our financial results.
- Any actual or perceived failure by us to comply with the privacy or security provisions of our privacy policy, our contracts and/or legal or regulatory requirements could result in proceedings, actions or penalties against us.
- There are risks related to our proposed acquisition of Auth0, including our ability to complete the acquisition in a timely manner, successfully integrate Auth0 and realize potential benefits from the acquisition.
- 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 48% of the voting power of our capital stock as of January 31, 2021. 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.

## Risks Related to Our Business and Industry

***The effects of the COVID-19 pandemic have materially affected how we and our customers are operating our businesses, and the duration and extent to which this will impact our future results of operations and overall financial performance remains uncertain.***

In December 2019, a novel coronavirus (COVID-19) was reported in China, in January 2020, the World Health Organization (WHO) declared it a Public Health Emergency of International Concern and in March 2020, the WHO declared it a pandemic. This contagious disease outbreak has continued to spread across the globe and is impacting worldwide economic activity and financial markets, resulting in an economic downturn that became a global recession. The extent of the impact of COVID-19 on our future operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, the effectiveness, distribution and acceptance of COVID-19 vaccines, including the vaccines' efficacy against emerging COVID-19 variants, related public health measures, and their impact on the global economy, our customers, employees and vendors. In the absence of mass distribution and acceptance of effective COVID-19 vaccines, we expect to see continued fluctuations in business openings and closures as communities respond to local outbreaks. This pandemic has resulted in a widespread health crisis that is adversely affecting broader economies and financial markets.

As a result of the COVID-19 pandemic, we have temporarily closed our offices, required our employees to work from home and implemented significant travel restrictions. We shifted our annual user conference, Oktane20 Live, held in the spring of 2020, to a virtual-only conference and in the near-term we have changed our customer, employee and industry events, including Oktane21 Live, to virtual-only formats. The conditions caused by the COVID-19 pandemic have and may continue to affect the rate of IT spending and have and could adversely affect our current and potential customers' ability or willingness to purchase our offerings. It has and could continue to delay current and prospective customers' purchasing decisions, adversely impact our ability to provide professional services to our customers, delay the provisioning of our offerings, lengthen payment terms, reduce the value or duration of our subscription contracts, or affect customer attrition rates, all of which could adversely affect our future sales, operating results and overall financial performance.

Our operations have also begun to be negatively affected by a range of external factors related to the COVID-19 pandemic that are not within our control. For example, many cities, counties, states and countries have imposed or may impose a wide range of restrictions on our employees', partners', customers' and potential customers' physical movement to limit the spread of COVID-19. If the COVID-19 pandemic has a substantial impact on our employees', partners', customers' or potential customers' attendance or productivity, our results of operations and overall financial performance may be harmed.

The duration and extent of the impact from the COVID-19 pandemic depends on future developments that cannot be accurately predicted at this time, such as the efficacy, availability and acceptance of COVID-19 vaccines, the severity and transmission rate of the virus, and emerging variants, the extent and effectiveness of containment actions and the impact of these and other factors on our employees, customers, partners and vendors as well as the global economy. Despite our best efforts to manage the impact of such events effectively, our business still may be harmed.

***Adverse general economic and market conditions and reductions in workforce identity and customer identity spending may 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 COVID-19 pandemic, the systemic impact of a related widespread recession (in the United States or internationally), energy costs, geopolitical issues 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.

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 recent periods, which makes it difficult to forecast our revenue and evaluate our business and future prospects.***

Much of our growth has occurred in recent periods, which makes it difficult to forecast our revenue and evaluate our business and future prospects. We have encountered and will continue to encounter risks and uncertainties frequently experienced by growing companies in rapidly changing industries, 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.

***We have experienced rapid growth in recent periods, and our recent 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 2019 to fiscal 2020, our revenue grew from \$399.3 million to \$586.1 million, an increase of 47%, and from fiscal 2020 to fiscal 2021, our revenue grew from \$586.1 million to \$835.4 million, an increase of 43%. 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 and the economic impact of the COVID-19 pandemic, 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, which include resellers, system integrators and other distribution partners and independent software vendors (ISVs);
- adequately expand our sales force, and maintain or increase our sales force's productivity;
- 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 \$125.5 million, \$208.9 million and \$266.3 million in fiscal 2019, 2020 and 2021, respectively. We expect to continue to incur net losses for the foreseeable future. Because the market for our platform is rapidly evolving and has not yet reached widespread adoption, it is difficult for us to predict our future results of operations. 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. As we continue to develop as a public company, we may incur additional legal, accounting and other expenses that we did not incur historically. 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 2,248 employees as of January 31, 2020 to 2,806 employees as of January 31, 2021. 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, including offices in the United Kingdom, the Netherlands, Sweden, France, Germany, Canada, Australia, Singapore and Japan, and we plan to continue to expand our international operations into other countries 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 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 or failure to ensure the effectiveness of our marketing programs. 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 may 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 COVID-19-related economic conditions, the prices of competing software products, reductions in our customers' spending levels, user adoption of our platform, deployment success, 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 could fall below expectations.***

We have experienced significant growth in the number of our customers in recent periods. As our customer base continues to grow and 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. These factors could cause customer growth to fall below analyst or investor expectations. 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.

***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;
- health epidemics, such as COVID-19, influenza and other highly communicable diseases or viruses;
- the timing and success of new product introductions by us or our competitors or any other change in the competitive landscape of our market;
- pricing pressure as a result of competition, COVID-19 or otherwise;
- 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;
- significant security breaches of, technical difficulties with, or interruptions to, the delivery and use of our platform and products;
- our ability to comply with privacy laws and requirements, including the General Data Protection Regulation and California Consumer Privacy Act;
- 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; and
- general economic conditions in either domestic or international markets, including 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.

***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 or technologies that we believe could complement or expand our current platform, enhance our technical capabilities or otherwise offer growth opportunities. For example, we have entered into the proposed acquisition of Auth0. If that transaction closes, our stockholders will incur substantial dilution. For further risks related to the proposed acquisition of Auth0, please see below under “Risks Related to the Acquisition of Auth0.” 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, 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.

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;
- they 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.

***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 COVID-19 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 may continue to make, investments to support future sales opportunities in the government sector. Government demand for our products could be impacted by budgetary cycles, and there may be governmental certification requirements for our products. 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 termination of the contract, 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 without any assurance that we will successfully complete a sale. Government entities often require contract terms that differ from our standard arrangements and impose compliance requirements that are complicated, increased attention to pricing practices, termination rights tied to funding availability, or are otherwise time consuming and expensive to satisfy. 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 special standards or requirements and do not meet them, 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 the underlying regulatory conditions that affect these types of customers could harm our ability to efficiently provide our service to them 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. 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 COVID-19 pricing pressures. 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.

***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 United Kingdom, the Netherlands, Sweden, France, Germany, Canada, Australia, Singapore and Japan, and we plan to expand our international operations.

In each of fiscal 2020 and 2021, our international revenue was 16% of our total revenue. 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:

- health epidemics, such as COVID-19, influenza and other highly communicable diseases or viruses;
- macroeconomic conditions and the economic impact of the COVID-19 pandemic;
- 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 EU General Data Protection Regulation 2016/679 and disparate data privacy standards and enforcement;
- 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, armed conflict or terrorist activities;
- global economic uncertainty caused by global political events, including the United Kingdom's exit from the European Union, and similar geopolitical developments;
- 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.

We have limited experience in marketing, selling and supporting our platform abroad. Our limited experience in operating our business internationally increases the risk that any potential future expansion efforts that we may undertake will not be successful. 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.

***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.

### **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 may experience disruptions, data loss, outages and other performance problems with our infrastructure due to a variety of factors, including infrastructure and functionality changes, human or software errors, capacity constraints or security-related incidents. In some instances, we may not be able to identify the cause or causes of these performance problems immediately or in short order. 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, 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.

***An application, data security or network incident may allow unauthorized access to our systems or data or our customers' data, disable access to our service, harm our reputation, create additional liability and adversely impact our financial results.***

Increasingly, companies 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, we and our third-party service providers now also face threats from sophisticated nation-state and nation-state supported actors 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), internal networks, our customers' systems

and the information that they store and process. 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, 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 or may not 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 may 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 personal data. If a breach of customer data on our platform were to occur, as a result of third-party action, technology limitations, employee or contractor error, malfeasance or otherwise, and the confidentiality, integrity or availability of our customers' data or systems was 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. Because techniques used to obtain unauthorized access to, or to sabotage, systems change frequently and generally are not recognized until launched against a target, we, our third-party service providers and our customers may be unable 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 could result in a risk of loss or unauthorized disclosure 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. 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, 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. 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, 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 could result in the exfiltration of confidential corporate information or other data that may provide additional avenues of attack, and 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 may attempt 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 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 lock outs 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.

***Any actual or perceived failure by us to comply with the privacy or security provisions of our privacy policy, our contracts and/or legal or regulatory requirements could result in proceedings, actions or penalties against us.***

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 do not ensure their 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 rely on our authorization under FedRAMP to help satisfy their own legal and regulatory compliance requirements which, in addition to state or international regulations, may 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, the European Union and other jurisdictions, and we cannot yet determine the impact such future laws, regulations and standards may have on our business. For example, the California Consumer Privacy Act (CCPA) took effect on January 1, 2020, which broadly defines personal information and gives California residents expanded privacy rights and protections and provides for civil penalties for violations and a private right of action for data breaches. In addition, on November 3, 2020, California voters passed the California Privacy Rights Act (CPRA) into law. The CPRA will take substantial effect on January 1, 2023 with enforcement scheduled for July 1, 2023 and will significantly modify the CCPA and create a new state agency that will be vested with authority to implement and enforce the CCPA and the CPRA. Some observers have noted the CCPA and CPRA could mark the beginning of a trend toward more stringent United States federal privacy legislation, which could 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.

Any failure or perceived 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.

***We may face particular privacy, data security and data protection risks in Europe due to stringent data protection and privacy laws, including the European General Data Protection Regulation, and increased scrutiny over EU-U.S. data transfers.***

We are subject to the EU General Data Protection Regulation 2016/679 (GDPR) that took effect on May 25, 2018, and, as a result of the United Kingdom's exit from the European Union, as of January 1, 2021, the UK General Data Protection Regulation and Data Protection Act 2018 (UK Data Protection Laws). The GDPR and UK Data Protection Laws have enhanced data protection obligations for processors and controllers of personal data, including, for example, expanded disclosures about how personal data is to be used, limitations on retention of information, mandatory data breach notification requirements and onerous new obligations on services providers. Non-compliance with the GDPR can trigger fines of up to €20 million, or 4% of total worldwide annual revenue, whichever is higher. The UK Data Protection Laws mirror the fines under the GDPR. Given the breadth and depth of changes in data protection obligations, complying with its requirements has caused us to expend significant resources and such expenditures are likely to continue into the near future as we respond to new interpretations and enforcement actions following the effective date of the regulation and as we continue to negotiate data processing agreements with our customers and business partners. Separate EU laws and regulations (and member states' implementations of them) govern the protection of consumers and of electronic communications and these are also evolving. A draft of the new ePrivacy Regulation extends the strict opt-in marketing rules with limited exceptions to business-to-business communications, alters rules on third-party cookies, web beacons and similar technology and significantly increases penalties. 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 and we may be required to make significant changes in our business operations and product and services development, all of which may adversely affect our revenues and our business overall.

In addition, the GDPR restricts transfers outside of the EU to third countries deemed to lack adequate privacy protections (such as the United States), unless an appropriate safeguard specified by the GDPR is implemented, such as the Standard Contractual Clauses (SCCs) approved by the European Commission and, until July 16, 2020, the Privacy Shield for EU-U.S. data transfers. On July 16, 2020, the Court of Justice of the European Union (CJEU) invalidated the EU-U.S. Privacy Shield Framework (Privacy Shield) under which personal data could be transferred from the EEA to U.S. entities who had self-certified under the Privacy Shield scheme. While the CJEU upheld the adequacy of the SCCs (a standard form of contract approved by the European Commission as an adequate personal data transfer mechanism, and potential alternative to the Privacy Shield), it made clear that reliance on them alone may not necessarily be sufficient in all circumstances. Use of the SCCs must now be assessed on a case-by-case basis taking into account the legal regime applicable in the destination country, in particular applicable surveillance laws and rights of individuals and additional measures and/or contractual provisions may need to be put in place, however, the nature of these additional measures is currently uncertain. The CJEU went on to state that if a competent supervisory authority believes that the standard contractual clauses cannot be complied with in the destination country and the required level of protection cannot be secured by other means, such supervisory authority is under an obligation to suspend or prohibit that transfer. There are few viable alternatives to the SCCs, and the law in this area remains dynamic. These recent developments will require us to review and may require us to amend the legal mechanisms by which we make and/or receive personal data transfers to/in the United States.

We also continue to see jurisdictions imposing data localization laws, which require personal information, or certain subcategories of personal information 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.

We and our customers are at risk of enforcement actions taken by certain EU data protection authorities until such point in time that we may be able to ensure that all transfers of personal data to us in the United States from

the EU are conducted in compliance with all applicable regulatory obligations, the guidance of data protection authorities and evolving best practices. Any investigation or charges by EU data protection authorities could have a negative effect on our existing business and on our ability to attract and retain new customers. We may find it necessary to establish systems to maintain EU personal data within in the EU, which may involve substantial expense and may cause us to need to divert resources from other aspects of our business, all of which may adversely affect our business.

***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.***

The Health Insurance Portability and Accountability Act of 1996, 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.

In addition, the U.S. Department of Health & Human Services recently proposed additional draft HIPAA guidance which is subject to public comment before being finalized. We will continue to monitor whether the final guidance may obligate us to change our practices. Significant changes to HIPAA, including interpretation and application of HIPAA, could negatively impact our business.

***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, or face contract termination with refunds of prepaid amounts related to unused subscriptions, 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 and software applications 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. Any changes in such technologies that degrade the functionality of our products or give preferential treatment to competitive services could 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 could impair the delivery of our platform and our business could suffer.***

We host our platform using AWS data centers, a provider of cloud infrastructure services. All of our products use resources operated by us in these locations. Our operations depend on protecting the virtual cloud infrastructure hosted in AWS 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 AWS locations, any incident affecting their infrastructure that may be caused by fire, flood, severe storm, earthquake, power loss, telecommunications failures, unauthorized intrusion, 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 AWS service disruption affecting our platform for any of the foregoing reasons could damage our reputation with current and potential customers, expose us to liability, cause us to lose customers or otherwise harm 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 AWS services we use.

AWS enables us to order and reserve server capacity in varying amounts and sizes distributed across multiple regions. AWS provides us with computing and storage capacity pursuant to an agreement that continues until terminated by either party. AWS may terminate the agreement by providing 30 days prior written notice and may, in some cases, terminate the agreement immediately for cause upon notice.

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 AWS data centers, or 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 AWS 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 computer 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 and similar events or disruptions may damage or interrupt computer, 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, could harm our business and results of operations.***

Errors, failures, vulnerabilities or bugs may occur in our products, especially when updates are deployed or new products are rolled out. 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.

***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.

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 the Acquisition of Auth0**

#### ***The proposed acquisition of Auth0 may cause a disruption in our business.***

The proposed acquisition (the Acquisition) of Auth0 could cause disruptions to our business or business relationships, which could have an adverse impact on results of operations. Parties with which we have business relationships may experience uncertainty as to the future of such relationships and may delay or defer certain business decisions, seek alternative relationships with third parties or seek to alter their present business relationships with us. Parties with whom we otherwise may have sought to establish business relationships may seek alternative relationships with third parties.

The pursuit of the Acquisition, the preparation for the transition and the integration of Auth0 may place a significant burden on our management and internal resources. The diversion of management's attention away from day-to-day business concerns and any difficulties encountered in the transition and integration process could adversely affect our financial results.

We have incurred and expect to continue to incur significant costs, expenses and fees for professional services and other transaction costs in connection with the Acquisition. We may also incur unanticipated costs in the integration of Auth0's business with our business. The substantial majority of these costs will be non-recurring expenses relating to the Acquisition, and many of these costs are payable regardless of whether or not the Acquisition is consummated. We also could be subject to litigation related to the proposed Acquisition, which could result in significant costs and expenses.

#### ***Failure to complete the Acquisition in a timely manner or at all could negatively impact the market price of our Class A common stock, as well as our future business and our financial condition, results of operations and cash flows.***

We currently anticipate the Acquisition will be completed in the second quarter of fiscal 2022, the quarter ending July 31, 2021, but we cannot be certain when or if the conditions for the Acquisition will be satisfied or (if permissible under applicable law) waived. The Acquisition cannot be completed until certain customary conditions to closing are satisfied or (if permissible under applicable law) waived. Our obligation to complete the Acquisition is also subject to, among other conditions, the absence of regulatory authorities requiring certain actions on our part.

The satisfaction of the required conditions could delay the completion of the Acquisition for a significant period of time or prevent it from occurring. Further, there can be no assurance that the conditions to the closing of the Acquisition will be satisfied or waived or that the Acquisition will be completed.

If the Acquisition is not completed in a timely manner or at all, our ongoing business may be adversely affected as follows:

- we may experience negative reactions from the financial markets, and our stock price could decline to the extent that the current market price reflects an assumption that the transaction will be completed;
- we may experience negative reactions from employees, customers, suppliers or other third parties;
- management's focus may have been diverted from pursuing other opportunities that could have been beneficial to us; and
- our costs of pursuing the Acquisition may be higher than anticipated.

If the Acquisition is not consummated, there can be no assurance that these risks will not materialize and will not materially adversely affect our stock price, business, financial condition, results of operations or cash flows.

***We may not realize potential benefits from the Acquisition because of difficulties related to integration, the achievement of synergies, and other challenges.***

We and Auth0 have operated and, until completion of the Acquisition, will continue to operate, independently, and there can be no assurances that our businesses can be combined in a manner that allows for the achievement of substantial benefits. Any integration process may require significant time and resources, and we may not be able to manage the process successfully as our ability to acquire and integrate larger or more complex companies, products or technologies in a successful manner is unproven. If we are not able to successfully integrate Auth0's businesses with ours or pursue our customer and product strategy successfully, the anticipated benefits of the Acquisition may not be realized fully or may take longer than expected to be realized. Further, it is possible that there could be a loss of our and/or Auth0's key employees and customers, disruption of either company's or both companies' ongoing businesses or unexpected issues, higher than expected costs and an overall post-completion process that takes longer than originally anticipated. Specifically, the following issues, among others, must be addressed in combining Auth0's operations with ours in order to realize the anticipated benefits of the Acquisition so the combined company performs as the parties hope:

- combining the companies' corporate functions;
- combining Auth0's business with our business in a manner that permits us to achieve the synergies anticipated to result from the Acquisition, the failure of which would result in the anticipated benefits of the Acquisition not being realized in the timeframe currently anticipated or at all;
- maintaining existing agreements with customers, distributors, providers, talent and vendors and avoiding delays in entering into new agreements with prospective customers, distributors, providers, talent and vendors;
- determining whether and how to address possible differences in corporate cultures and management philosophies;
- integrating the companies' administrative and information technology infrastructure;
- developing products and technology that allow value to be unlocked in the future;
- evaluating and forecasting the financial impact of the Acquisition transaction, including accounting charges; and
- effecting potential actions that may be required in connection with obtaining regulatory approvals.

In addition, at times the attention of certain members of our management and resources may be focused on completion of the Acquisition and integration planning of the businesses of the two companies and diverted from day-to-day business operations, which may disrupt our ongoing business and the business of the combined company.

We may incur significant, non-recurring costs in connection with the Acquisition and integrating the operations of Okta and Auth0, including costs to maintain employee morale and to retain key employees. Management cannot ensure that the elimination of duplicative costs or the realization of other efficiencies will offset the transaction and integration costs in the long term or at all.

***Purchase price accounting in connection with our Acquisition requires estimates that may be subject to change and could impact our consolidated financial statements and future results of operations and financial position.***

Pursuant to the acquisition method of accounting, the purchase price we will pay for Auth0 will be allocated to the underlying Auth0 tangible and intangible assets acquired and liabilities assumed based on their respective fair market values with any excess purchase price allocated to goodwill. The acquisition method of accounting is dependent upon certain valuations and other studies that are preliminary. Accordingly, the purchase price allocation as of the Acquisition date will be preliminary. We currently anticipate that all the information needed to identify and measure values assigned to the assets acquired and liabilities assumed will be obtained and finalized during the one-year measurement period following the date of completion of the Acquisition. Differences between these preliminary estimates and the final acquisition accounting may occur, and these differences could have a material impact on the consolidated financial statements and the combined company's future results of operations and financial position.

***Auth0 may have liabilities that are not known to us.***

Auth0 may have liabilities that we failed, or were unable, to discover, or that we underestimated, in the course of performing our due diligence investigations of Auth0's business and we, as the successor owner of such acquired company, might be responsible for those liabilities. Such potential liabilities could include employment-, retirement- or severance-related obligations under applicable law or other benefits arrangements, legal or regulatory claims, tax liabilities, warranty or similar liabilities to customers, product liabilities, claims related to infringement of third-party intellectual property rights, and claims by or amounts owed to vendors or other third parties. We cannot assure you that the indemnification available to us under the Merger Agreement with respect to the Acquisition in connection with such agreement will be sufficient in amount, scope or duration to fully offset the possible liabilities associated with Auth0's business or property that we will assume upon consummation of the Acquisition. We may learn additional information about Auth0 that materially adversely affects us, such as unknown or contingent liabilities and liabilities related to compliance with applicable laws. Any such liabilities, individually or in the aggregate, could have a material adverse effect on our business, results of operations and financial condition.

***While the Acquisition is pending, we and Auth0 will be subject to business uncertainties that could adversely affect our respective businesses, results of operations and financial conditions.***

Our success following the announcement of the Acquisition will depend in part upon the ability of us and Auth0 to maintain our respective business relationships. Uncertainty about the effect of the Acquisition on customers, suppliers, employees and other constituencies may have a material adverse effect on us and Auth0. Customers, suppliers and others who deal with us or Auth0 may delay or defer business decisions, decide to terminate, modify or renegotiate their relationships or take other actions as a result of the Acquisition that could negatively affect the revenues, earnings and cash flows of our company or Auth0. If we are unable to maintain these business and operational relationships, our financial position, results of operations or cash flows could be materially affected.

**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 Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, or ASC 606, 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 abroad. 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. 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. 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 the international markets. Our corporate structure and associated transfer pricing policies anticipate future growth into the 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 or other tax laws, statutes, rules, regulations or ordinances could be enacted at any time. Those enactments could harm 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 changes, 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.

As a multinational organization, we may be subject to taxation in several 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.***

States and some local taxing jurisdictions have differing rules and regulations governing sales and use taxes, and these rules and regulations are subject to varying interpretations that may change over time. In particular, the applicability of sales taxes to our platform in various jurisdictions is unclear. It is possible that we could face sales tax audits and that our liability for these taxes could exceed our estimates as state 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 sales 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 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.

On March 27, 2020, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which included temporary relief from the net operating loss limitations imposed by the Tax Cuts and Jobs Act for tax years beginning after December 31, 2017 and before January 1, 2021, and made certain technical corrections to applying the net operating loss utilization limitations for tax years beginning after January 1, 2021.

Our ability to use our net operating losses is conditioned upon generating future U.S. federal taxable income. Since we do not know whether or when we will generate the U.S. federal taxable income necessary to use our remaining net operating losses, these net operating loss carryforwards generated prior to our tax year ended January 31, 2018 could expire unused.

***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.

Accounting principles generally accepted in the United States (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 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 consolidated financial statements include, but are not limited to those related to revenue recognition, period of benefit for deferred commissions, incremental borrowing rates for operating leases, effective interest rates for convertible notes, valuation of deferred income taxes, business combination and valuation of goodwill and purchased intangible assets. 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.***

Prior to our IPO, there was no public market for shares of our Class A common stock. The market prices of the securities of other newly public companies have historically been highly volatile, and our stock price has been volatile since our IPO. The market price of our Class A common stock may fluctuate 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;
- actual or anticipated fluctuations in our revenue or other financial or operating metrics;
- changes in the financial projections we provide to the public or our failure to meet these projections;
- 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;
- recruitment or departure of key personnel;
- significant security breaches, technical difficulties or interruptions of our service;
- the economy as a whole and market conditions in our industry;
- 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 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. If we were to become involved in securities litigation, it could 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 48% of the voting power of our capital stock as of January 31, 2021. 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 January 31, 2021, our directors, executive officers and their affiliates held in the aggregate 48% the voting power of our capital stock. 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 restricted stock units (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) and the Warrants (as defined below) issued at the time of the issuance of the 2023 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 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 the 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 the 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.***

Since February 2018, we have issued convertible notes due in 2023 (2023 Notes), 2025 (2025 Notes) and 2026 (2026 Notes, and together with the 2023 Notes and 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 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 conditional conversion feature of the Notes, if triggered, may adversely affect our financial condition and results of operations.***

In the event the conditional conversion feature of the Notes is 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. As disclosed in Note 9 to our consolidated financial statements, the conditional conversion features of the 2023 Notes and 2025 Notes were triggered as of January 31, 2021, and the 2023 Notes and 2025 Notes are currently convertible at the option of the holders, in whole or in part, between February 1, 2021 and April 30, 2021. Whether the 2023 Notes or 2025 Notes will be convertible following such fiscal quarter will depend on the continued satisfaction of this condition or another conversion condition in the future. From the date of issuance through January 31, 2021, 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. The 2023 Notes and 2025 Notes were classified as current liabilities on the consolidated balance sheet as of January 31, 2021.

***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 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.

In addition, in connection with the issuance of the 2023 Notes, we entered into convertible note hedges (Note Hedges) with certain financial institutions (the 2023 Notes Option Counterparties). We also entered into warrant transactions with the 2023 Notes Option Counterparties pursuant to which we sold warrants for the purchase of our Class A common stock (Warrants). The Note Hedges are expected generally to reduce the potential dilution to our Class A common stock upon any conversion or settlement of the 2023 Notes and/or offset any cash payments we

are required to make in excess of the principal amount of converted 2023 Notes, as the case may be. The Warrant transactions could separately have a dilutive effect to the extent that the market price per share of our Class A common stock exceeds the strike price of any Warrants unless, subject to the terms of the Warrant transactions, we elect to cash settle the Warrants. Through January 31, 2021, Note Hedges corresponding to approximately 6.3 million shares have been terminated or settled. As of January 31, 2021, Note Hedges giving us the option to purchase approximately 0.8 million shares (subject to adjustment) remained outstanding. Through January 31, 2021, we have terminated Warrants corresponding to approximately 6.1 million shares. As of January 31, 2021, Warrants to acquire up to approximately 1.0 million shares (subject to adjustment) remained outstanding.

In addition, in connection with the issuance of the 2025 Notes and 2026 Notes, we entered into capped call transactions (Capped Calls) with certain financial institutions (the 2025 Notes and 2026 Notes Capped Call Counterparties and together with the 2023 Notes Option Counterparties, 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.

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.

***The accounting method for convertible debt securities that may be settled in cash, such as the Notes, could have a material effect on our reported financial results.***

Under FASB Accounting Standards Codification 470-20, *Debt with Conversion and Other Options* (ASC 470-20), an entity must separately account for the liability and equity components of convertible debt instruments (such as the Notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer's economic interest cost. ASC 470-20 requires the value of the conversion options of the Notes, representing the equity component, to be recorded as additional paid-in capital within stockholders' equity in our consolidated balance sheet and as a discount to the Notes, which reduces their initial carrying value. The carrying value of the Notes, net of the applicable discount recorded, will be accreted up to the principal amount of the Notes, as the case may be, from the issuance date until maturity, which will result in non-cash charges to interest expense in our consolidated statement of operations. Accordingly, we will report lower net income or higher net loss in our financial results because ASC 470-20 requires interest to include both the current period's accretion of the debt discount and the instrument's coupon interest, which could adversely affect our reported or future financial results, the trading price of our Class A common stock and the respective trading price of the Notes.

Accounting standards in the future will result in changes to the current ASC 470-20 accounting model. The FASB issued an accounting standards update that eliminates the liability and equity component separation model for convertible debt instruments with a cash conversion feature. Among other potential impacts, this change is expected to reduce reported interest expense, increase reported net income or lower net loss and result in a reclassification of certain balance sheet amounts from stockholders' equity to liabilities as it relates to the Notes.

## 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, such as the recent retirement of our former President, Worldwide Field Operations and upcoming retirement of our Chief Financial Officer, which could disrupt 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 (including during the COVID-19 pandemic), 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 (including COVID-19), 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 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

Our corporate headquarters is located in San Francisco, California, where we currently lease approximately 266,366 square feet and 19,129 square feet under a lease, as amended, that expires in October 2028 and a sublease that expires in August 2021, respectively. The Company is entitled to two five-year options to extend the lease with an October 2028 expiry date, subject to certain requirements.

We also lease space in various locations in North America, Europe and Asia-Pacific.

We believe that our facilities are suitable to meet our current needs. We intend to expand our facilities or add new facilities as we add employees and enter new geographic markets, and we believe that suitable additional or alternative space will be available as needed to accommodate any such growth.

**Item 3. Legal Proceedings**

We are not a party to any material legal proceedings on the date of this report. See [Note 11](#) to our consolidated financial statements "Commitments and Contingencies" for information related to legal proceedings.

**Item 4. Mine Safety Disclosures**

Not Applicable.

## **Part II**

### **Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

#### **Market Information and Holders**

Our Class A common stock has been listed on the Nasdaq Global Select Market under the symbol "OKTA" since April 7, 2017. Prior to that date, there was no public trading market for our Class A common stock. Our Class B common stock is not listed or traded on any stock exchange.

As of February 28, 2021, we had 37 holders of record of our Class A common stock and 26 holders of record of our Class B common stock. The actual number of Class A beneficial stockholders is substantially greater than the number of holders of record because a large portion of our Class A common stock is held in street name by brokers and other nominees.

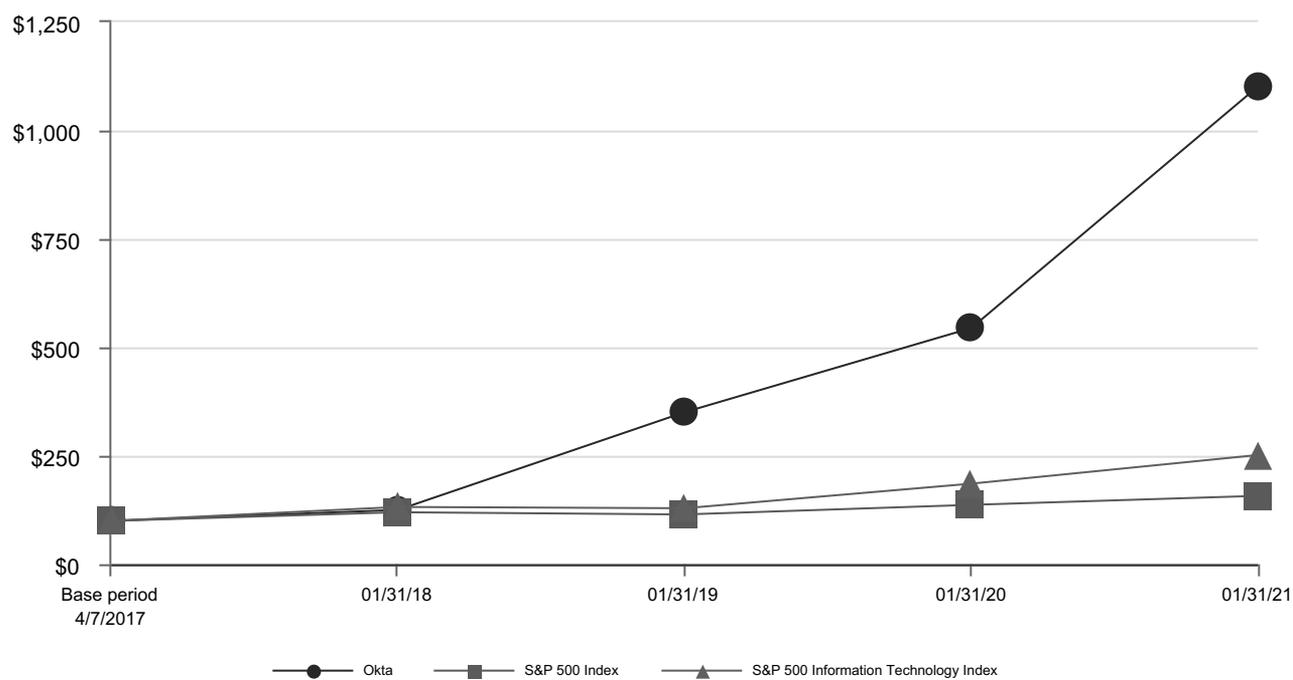
#### **Dividend Policy**

We have never declared or paid cash dividends on our capital stock. We currently intend to retain any future earnings for use in the operation of our business and do not intend to declare or pay any cash dividends in the foreseeable future. Any further determination to pay dividends on our capital stock will be at the discretion of our board of directors, subject to applicable laws, and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors that our board of directors considers relevant.

## Stock Performance Graph

*This performance graph shall not be deemed "soliciting material" or to be "filed" with the Securities and Exchange Commission (SEC) for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of Okta, Inc. under the Securities Act or the Exchange Act.*

We have presented below the cumulative total return to our stockholders from April 7, 2017 (the date our Class A common stock commenced trading on the Nasdaq) through January 31, 2021 in comparison to the Standard & Poor's 500 Index and Standard & Poor Information Technology Index. All values assume a \$100 initial investment and data for the Standard & Poor's 500 Index and Standard & Poor Information Technology Index assume reinvestment of dividends. The comparisons are based on historical data and are not indicative of, nor intended to forecast, the future performance of our Class A common stock.



Company/Index	Base period 4/7/2017	1/31/2018	1/31/2019	1/31/2020	1/31/2021
Okta	\$ 100.00	\$ 125.27	\$ 350.62	\$ 544.66	\$ 1,101.70
S&P 500 Index	100.00	119.88	114.80	136.93	157.68
S&P 500 Information Technology Index	100.00	132.07	129.11	185.80	251.86

## ***Securities Authorized for Issuance under Equity Compensation Plans***

The information required by this item with respect to our equity compensation plans is incorporated by reference to our Proxy Statement for the 2021 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended January 31, 2021.

### ***Unregistered Sales of Equity Securities***

#### ***(a) Unregistered Sales of Equity Securities***

In connection with the partial repurchase of the convertible notes due in 2023 (2023 Notes) in June 2020 and the conversion of certain 2023 Notes in August 2020, the Company issued 1,445,927 shares and 214,177 shares of Company Class A common stock on June 12, 2020 and August 31, 2020, respectively. These issuances were made in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended (Securities Act). The Company relied on this exemption from registration based in part on representations made by the holders of the 2023 Notes in the exchange agreements pursuant to which the shares of Class A Common Stock were issued.

#### ***(b) Issuer Purchases of Equity Securities***

None.

## **Item 7. 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 consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. In addition to historical financial information, the following discussion contains forward-looking statements that is 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 I, Item 1A in this Annual Report on Form 10-K. Our fiscal year ends January 31.*

### **Overview**

Okta is the leading independent identity management platform for the enterprise. The Okta Identity Cloud is powered by our category-defining platform that enables 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 and web applications, on-premises servers, application program interfaces (APIs), IT infrastructure providers and services from a multitude of devices. Developers leverage our platform to securely and efficiently embed identity into the software they build, allowing them to focus on their core mission. Employees and contractors sign into the Okta 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 online and via mobile devices. Given the growth trends in the number of applications and cloud adoption, and the movement to remote workforces, identity is becoming the most critical layer of an organization's security. 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 January 31, 2021, more than 10,000 customers across nearly every industry used the Okta Identity Cloud 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, infrastructure and security vendors through our Okta Integration Network. As of January 31, 2021, we had over 7,000 integrations with these cloud, mobile and web applications and IT infrastructure providers.

We employ a Software-as-a-Service (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 their spending with us through expanding the number of users who access the Okta Identity Cloud and up-selling additional products. We sell our products 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.

### ***Impact of Coronavirus (COVID-19) Pandemic***

In December 2019, a novel coronavirus (COVID-19) was reported in China, in January 2020, the World Health Organization (WHO) declared it a Public Health Emergency of International Concern and in March 2020, the WHO declared it a pandemic. This contagious disease outbreak has continued to spread across the globe and is impacting worldwide economic activity and financial markets. The extent of the impact of COVID-19 on our future operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, related public health measures, and their impact on the macroeconomy, our current and prospective customers, employees and vendors. None of these impacts can be predicted with certainty.

Our revenue is relatively predictable as a result of our subscription-based business model, which constituted over 95% of total revenue for the year ended January 31, 2021. 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, remaining performance obligations (RPO) and billings growth as well as potential future

impacts on revenue growth and other key metrics on a trailing basis. Our allowance for doubtful accounts and sales reserves have increased primarily due to an increase in overall uncertainty in our forecasts of future economic conditions and concession requests. While we see risks associated with more highly impacted companies and industries, we are also seeing new interest from other organizations, driven by rapidly changing work and business environments. As workforces have transitioned to working from home in a distributed model, Zero Trust has become an increasingly important security model and identity an increasingly critical service.

We believe we will be able to continue to deliver our cloud-based platform and support to our customers, without compromising our employees' safety. Since March 2020, we have put in place mandatory work-from-home procedures for our global office locations, and our employees have the necessary tools and technology to remain connected and productive. In addition, we shifted our annual user conference, Oktane20 Live, to a virtual-only experience, resulting in cost savings, and in the near-term, we have changed our customer, employee and industry events, including Oktane21 Live, to virtual-only format. We have further benefited from cost savings, driven by reduced growth in employee compensation costs due to slower hiring, reductions in employee-related expenses as our sales and marketing activities shift primarily to an online-only sales format and a shift to work-from-home procedures.

See Risk Factors for further discussion of the potential impact of COVID-19 and its related public health measures on our business.

### ***Proposed Acquisition of Auth0***

On March 3, 2021, we entered into a definitive agreement to acquire Auth0, Inc. (Auth0) pursuant to an Agreement and Plan of Merger (the Merger Agreement). Upon consummation of the transaction contemplated by the Merger Agreement, all outstanding shares of Auth0 capital stock, options, warrants, convertible securities, phantom equity and other outstanding equity interests will be cancelled in exchange for aggregate consideration of \$6.5 billion in the form of shares of Class A common stock of the Company and assumed awards of corresponding Company equity interests, subject to customary purchase price adjustments and certain customary cash payouts in lieu of shares of Company Class A common stock, as provided by the Merger Agreement. The purchase price payable in shares of Class A common stock will be valued at \$276.2147 per share (which price was calculated based on the daily volume-weighted average sales price per share of Company Class A common stock for the 20 trading days ending on February 26, 2021). The per share price of these shares has been fixed as of the Merger Agreement signing date, and the aggregate value of these shares will fluctuate based on changes in our share price between the signing and closing dates.

The proposed transaction is expected to close during the Company's second quarter of fiscal 2022, the quarter ending July 31, 2021. The closing of this transaction is subject to certain customary closing conditions and approvals. If consummated, the acquisition of Auth0 may have a significant impact on our liquidity, financial condition and results of operations. The following discussion and analysis of our results of operations and our liquidity and capital resources focuses on our existing operations exclusive of the impact of the proposed acquisition of Auth0. Any forward-looking statements contained herein do not take into account the impact of the proposed acquisition.

### **Financial Information and Segments**

We operate our business as one reportable segment. Our revenue has grown significantly. For the years ended January 31, 2021, 2020 and 2019, our revenue was \$835.4 million, \$586.1 million and \$399.3 million, respectively, representing a growth rate of 43% and 47%, respectively. For the years ended January 31, 2021, 2020 and 2019, we generated net losses of \$266.3 million, \$208.9 million and \$125.5 million, respectively. Our accumulated deficit as of January 31, 2021 was \$967.5 million.

## 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 January 31,		
	2021	2020	2019
	(dollars in thousands)		
Customers with annual contract value (ACV) above \$100,000	1,950	1,467	1,038
Dollar-based net retention rate for the trailing 12 months ended	121 %	119 %	120 %
Current remaining performance obligations	\$ 841,797	\$ 592,309	\$ 385,600
Remaining performance obligations	\$1,796,949	\$1,209,659	\$ 728,900
	Year Ended January 31,		
	2021	2020	2019
	(in thousands)		
Calculated billings	\$ 975,994	\$ 703,558	\$ 488,217

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

As of January 31, 2021, we had over 10,000 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. Over time, larger customers have constituted a greater share of our total revenue, which has contributed to an increase in average revenue per customer. The number of customers who have greater than \$100,000 in ACV with us was 1,950, 1,467 and 1,038 as of January 31, 2021, 2020 and 2019, 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.

### **Dollar-Based Net Retention Rate**

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 strong Dollar-Based Net Retention Rate is primarily attributable to 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.

### **Remaining Performance Obligations**

Remaining performance obligations (RPO) represent all future, non-cancellable, contracted revenue under our subscription contracts with customers that has not yet been recognized, inclusive of deferred revenue that has

been invoiced and non-cancellable 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.

### ***Calculated Billings***

Calculated Billings represent our total revenue plus the change in deferred revenue and less the change in unbilled receivables in the period. Calculated Billings in any particular period reflect sales to new customers plus subscription renewals and upsells to existing customers, and represent amounts invoiced for subscription, support and professional services. We typically invoice customers in advance in annual installments for subscriptions to our platform.

Calculated Billings increased 39% in the year ended January 31, 2021 over the year ended January 31, 2020. As our Calculated Billings continue to grow in absolute terms, we expect our Calculated Billings growth rate to trend down over time. See the section titled “Non-GAAP Financial Measures” for additional information and a reconciliation of Calculated Billings to total revenue.

## **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. All 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 cost of revenue and operating expense category. Employee compensation costs include salaries, bonuses, benefits and stock-based compensation for each cost of revenue and operating expense category, sales commissions for sales and marketing and any compensation 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 and our customer support organization, third-party hosting fees, software and maintenance costs, outside services associated with the delivery of our subscription services, travel-related costs, amortization expense associated with capitalized internal-use software and acquired technology, and allocated overhead.

We intend to continue to invest additional resources in our platform infrastructure and our platform support organizations. As we continue to invest in technology innovation, we anticipate that capitalized internal-use software costs and related amortization may increase. 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, 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, our continued efforts to build platform support and professional services teams, increased stock-based compensation expenses, as well as the amortization of costs associated with capitalized internal-use software and acquired intangible assets.

### **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. We expect our research and development expenses will increase in absolute dollars as our business grows.

**Sales and Marketing.** Sales and marketing expenses consist primarily of employee compensation costs, costs of general marketing and promotional activities, travel-related expenses 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. We expect our sales and marketing expenses will increase in absolute dollars and continue to be our largest operating expense category for the foreseeable future as we expand our sales and marketing efforts. However, we expect our sales and marketing expenses to decrease as a percentage of our total revenue as our total revenue grows.

**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 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. We expect our general and administrative expenses will increase in absolute dollars as our business grows.

### **Interest and Other, Net**

Interest and other, net consists of interest expense, which primarily includes amortization of debt discount and issuance costs and contractual interest expense for our 2023 Notes, convertible notes due in 2025 (2025 Notes) and convertible notes due in 2026 (2026 Notes, together with the 2023 Notes and 2025 Notes, the Notes), interest income from our investment holdings and loss on early extinguishment and conversion of debt.

### **Provision for (Benefit from) Income Taxes**

Our provision for (benefit from) income taxes consists of federal and state income taxes in the United States and income taxes in certain foreign jurisdictions. The primary difference between our effective tax rate and the federal statutory rate relates to the net operating losses in jurisdictions with a valuation allowance against related deferred tax assets.

## Results of Operations

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

	Year Ended January 31,		
	2021	2020	2019
	(in thousands)		
<b>Revenue</b>			
Subscription	\$ 796,613	\$ 552,688	\$ 370,855
Professional services and other	38,811	33,379	28,399
<b>Total revenue</b>	<b>835,424</b>	<b>586,067</b>	<b>399,254</b>
<b>Cost of revenue</b>			
Subscription <sup>(1)</sup>	170,095	116,445	77,354
Professional services and other <sup>(1)</sup>	47,586	42,937	36,067
<b>Total cost of revenue</b>	<b>217,681</b>	<b>159,382</b>	<b>113,421</b>
<b>Gross profit</b>	<b>617,743</b>	<b>426,685</b>	<b>285,833</b>
<b>Operating expenses</b>			
Research and development <sup>(1)</sup>	222,826	159,269	102,385
Sales and marketing <sup>(1)</sup>	427,350	340,356	227,960
General and administrative <sup>(1)</sup>	171,726	112,892	75,110
<b>Total operating expenses</b>	<b>821,902</b>	<b>612,517</b>	<b>405,455</b>
<b>Operating loss</b>	<b>(204,159)</b>	<b>(185,832)</b>	<b>(119,622)</b>
Interest expense	(72,660)	(27,017)	(15,072)
Interest income and other, net	12,891	17,089	9,180
Loss on early extinguishment and conversion of debt	(2,263)	(14,572)	—
<b>Interest and other, net</b>	<b>(62,032)</b>	<b>(24,500)</b>	<b>(5,892)</b>
<b>Loss before provision for (benefit from) income taxes</b>	<b>(266,191)</b>	<b>(210,332)</b>	<b>(125,514)</b>
Provision for (benefit from) income taxes	141	(1,419)	(17)
<b>Net loss</b>	<b>\$ (266,332)</b>	<b>\$ (208,913)</b>	<b>\$ (125,497)</b>

<sup>(1)</sup> Includes stock-based compensation expense as follows:

	Year Ended January 31,		
	2021	2020	2019
	(in thousands)		
Cost of subscription revenue	\$ 21,895	\$ 12,923	\$ 7,837
Cost of professional services and other revenue	8,083	7,164	4,983
Research and development	63,270	37,683	22,642
Sales and marketing	53,802	38,077	22,916
General and administrative	49,131	30,777	17,942
<b>Total stock-based compensation expense</b>	<b>\$ 196,181</b>	<b>\$ 126,624</b>	<b>\$ 76,320</b>

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

	Year Ended January 31,		
	2021	2020	2019
Revenue			
Subscription	95 %	94 %	93 %
Professional services and other	5	6	7
Total revenue	100	100	100
Cost of revenue			
Subscription	20	20	19
Professional services and other	6	7	9
Total cost of revenue	26	27	28
Gross profit	74	73	72
Operating expenses:			
Research and development	27	27	26
Sales and marketing	51	58	57
General and administrative	20	20	19
Total operating expenses	98	105	102
Operating loss	(24)	(32)	(30)
Interest expense	(9)	(5)	(3)
Interest income and other, net	1	3	2
Loss on early extinguishment and conversion of debt	—	(2)	—
Interest and other, net	(8)	(4)	(1)
Loss before provision for (benefit from) income taxes	(32)	(36)	(31)
Provision for (benefit from) income taxes	—	—	—
Net loss	<u>(32)%</u>	<u>(36)%</u>	<u>(31)%</u>

A discussion regarding our financial condition and results of operations for the year ended January 31, 2021 compared to the year ended January 31, 2020 is presented below. A discussion regarding our financial condition and results of operations for the year ended January 31, 2020 compared to the year ended January 31, 2019 can be found under Item 7 in our Annual Report on Form 10-K for the fiscal year ended January 31, 2020, filed with the SEC on March 6, 2020, which is available free of charge on the SEC's website at [www.sec.gov](http://www.sec.gov) and our Investor Relations website at [investor.okta.com](http://investor.okta.com).

### Comparison of the Years Ended January 31, 2021 and 2020

#### Revenue

	Year Ended January 31,		\$ Change	% Change
	2021	2020		
(dollars in thousands)				
Revenue:				
Subscription	\$796,613	\$552,688	\$ 243,925	44 %
Professional services and other	38,811	33,379	5,432	16
Total revenue	<u>\$835,424</u>	<u>\$586,067</u>	<u>\$ 249,357</u>	43 %
Percentage of revenue:				
Subscription	95 %	94 %		
Professional services and other	5	6		
Total	<u>100 %</u>	<u>100 %</u>		

Subscription revenue increased by \$243.9 million, or 44%, for the year ended January 31, 2021 compared to the year ended January 31, 2020. The increase was primarily due to the addition of new customers as well as an increase in users and sales of additional products to existing customers.

Professional services and other revenue increased by \$5.4 million, or 16%, for the year ended January 31, 2021 compared to the year ended January 31, 2020. The increase in professional services revenue was primarily related to an increase in implementation and other services associated with an increase in the number of new customers purchasing our subscription services.

#### Cost of Revenue, Gross Profit and Gross Margin

	Year Ended January 31,		\$ Change	% Change
	2021	2020		
(dollars in thousands)				
Cost of revenue:				
Subscription	\$ 170,095	\$ 116,445	\$ 53,650	46 %
Professional services and other	47,586	42,937	4,649	11
Total cost of revenue	<u>\$ 217,681</u>	<u>\$ 159,382</u>	<u>\$ 58,299</u>	37 %
Gross profit	<u>\$ 617,743</u>	<u>\$ 426,685</u>	<u>\$ 191,058</u>	45 %
Gross margin:				
Subscription	79 %	79 %		
Professional services and other	(23)	(29)		
Total gross margin	74 %	73 %		

Cost of subscription revenue increased by \$53.7 million, or 46%, for the year ended January 31, 2021 compared to the year ended January 31, 2020, primarily due to an increase of \$34.7 million in employee compensation costs related to higher headcount to support the growth in our subscription services, an increase of \$6.8 million in software license costs and an increase of \$6.7 million in third-party hosting costs as we increased capacity to support our growth.

Our gross margin for subscription revenue remained consistent at 79% during the year ended January 31, 2021, compared to the year ended January 31, 2020. While our gross margins for subscription revenue may fluctuate in the near-term as we invest in our growth, we expect our subscription revenue gross margin to improve over the long-term as we achieve additional economies of scale.

Cost of professional services and other revenue increased by \$4.6 million, or 11%, for the year ended January 31, 2021, compared to the year ended January 31, 2020, primarily due to an increase of \$3.7 million in employee compensation costs related to higher headcount.

Our gross margin for professional services and other revenue improved to (23)% during the year ended January 31, 2021 from (29)% during the year ended January 31, 2020 primarily due to increases in professional services and other revenue at a faster rate than increases in associated costs.

### **Operating Expenses**

#### *Research and Development Expenses*

	<b>Year Ended January 31,</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>2021</b>	<b>2020</b>		
	(dollars in thousands)			
Research and development	\$222,826	\$159,269	\$ 63,557	40 %
Percentage of revenue	27 %	27 %		

Research and development expenses increased \$63.6 million, or 40%, for the year ended January 31, 2021 compared to the year ended January 31, 2020. The increase was primarily due to an increase of \$57.6 million in employee compensation costs due to higher headcount.

#### *Sales and Marketing Expenses*

	<b>Year Ended January 31,</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>2021</b>	<b>2020</b>		
	(dollars in thousands)			
Sales and marketing	\$427,350	\$340,356	\$ 86,994	26 %
Percentage of revenue	51 %	58 %		

Sales and marketing expenses increased \$87.0 million, or 26%, for the year ended January 31, 2021, compared to the year ended January 31, 2020. The increase was primarily due to an increase of \$71.0 million in employee compensation costs related to headcount growth, an increase of \$5.9 million in allocated overhead costs and an increase of \$3.4 million in software license costs, partially offset by a decrease of \$18.5 million in employee-related expenses primarily due to reduced travel-related expenditures resulting from our temporary shift of our sales and marketing activities to a primarily online-only format. Marketing and event costs increased by \$24.5 million primarily due to increases in demand generation programs, advertising, brand awareness efforts aimed at acquiring new customers and a change in the timing of expenses incurred for a future event, partially offset by a decrease of \$4.9 million due to a change to a virtual format for our annual customer conference in the first quarter of fiscal 2021 compared to an in-person format in the first quarter of fiscal 2020.

#### *General and Administrative Expenses*

	<b>Year Ended January 31,</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>2021</b>	<b>2020</b>		
	(dollars in thousands)			
General and administrative	\$171,726	\$112,892	\$ 58,834	52 %
Percentage of revenue	20 %	20 %		

General and administrative expenses increased \$58.8 million, or 52%, for the year ended January 31, 2021 compared to the year ended January 31, 2020. The increase was primarily due to an increase of \$41.3 million in employee compensation costs related to higher headcount to support our continued growth and an increase in non-cash charitable contributions of \$7.5 million, partially offset by a decrease of \$3.4 million in acquisition costs.

## **Interest and Other, Net**

	Year Ended January 31,		\$ Change	% Change
	2021	2020		
	(dollars in thousands)			
Interest expense	\$ (72,660)	\$ (27,017)	\$ (45,643)	169 %
Interest income and other, net	12,891	17,089	(4,198)	(25)
Loss on early extinguishment and conversion of debt	(2,263)	(14,572)	12,309	(84)
Interest and other, net	<u>\$ (62,032)</u>	<u>\$ (24,500)</u>		

Interest expense increased \$45.6 million or 169% for the year ended January 31, 2021 compared to the year ended January 31, 2020, primarily related to an increase of \$23.1 million and \$31.5 million for the 2025 Notes and 2026 Notes, respectively, partially offset by a decrease of \$9.0 million for the 2023 Notes, due to the partial repurchase of the 2023 Notes in September 2019 (First Partial Repurchase of 2023 Notes) and the partial repurchase of the 2023 Notes in June 2020 (Second Partial Repurchase of 2023 Notes, and together with the First Partial Repurchase of the 2023 Notes, the 2023 Notes Partial Repurchases).

Interest income and other, net decreased \$4.2 million, or (25)% for the year ended January 31, 2021 compared to the year ended January 31, 2020, primarily due to lower interest rates, resulting in lower interest income earned on higher cash and cash equivalents and short-term investment balances.

Loss on early extinguishment and conversion of debt decreased \$12.3 million for the year ended January 31, 2021 primarily due to differences in the loss on early extinguishment of debt recognized for the First Partial Repurchase of 2023 Notes in the year ended January 31, 2020 compared to the Second Partial Repurchase of 2023 Notes in the year ended January 31, 2021.

## **Non-GAAP Financial Measures**

In addition to our results determined in accordance with U.S. generally accepted accounting principles, or GAAP, we believe the following non-GAAP measures are useful in evaluating our operating performance. We use the below referenced non-GAAP financial information, collectively, to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe 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 our financial statements. In addition, they are subject to inherent limitations as they reflect the exercise of judgment by our 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. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures, and not to rely on any single financial measure to evaluate our business.

## **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 and amortization of acquired intangibles.

**Year Ended January 31,**

	<b>2021</b>	<b>2020</b>	<b>2019</b>
	(dollars in thousands)		
Gross profit	\$ 617,743	\$ 426,685	\$ 285,833
Add:			
Stock-based compensation expense included in cost of revenue	29,978	20,087	12,820
Amortization of acquired intangibles	6,373	5,488	832
Non-GAAP gross profit	<u>\$ 654,094</u>	<u>\$ 452,260</u>	<u>\$ 299,485</u>
Gross margin	74 %	73 %	72 %
Non-GAAP gross margin	78 %	77 %	75 %

***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 and acquisition-related expenses.

**Year Ended January 31,**

	<b>2021</b>	<b>2020</b>	<b>2019</b>
	(dollars in thousands)		
Operating loss	\$ (204,159)	\$ (185,832)	\$ (119,622)
Add:			
Stock-based compensation expense	196,181	126,624	76,320
Non-cash charitable contributions	9,292	1,746	1,008
Amortization of acquired intangibles	6,373	5,488	832
Acquisition-related expenses <sup>(1)</sup>	—	3,449	—
Non-GAAP operating income (loss)	<u>\$ 7,687</u>	<u>\$ (48,525)</u>	<u>\$ (41,462)</u>
Operating margin	(24)%	(32)%	(30)%
Non-GAAP operating margin	1 %	(8)%	(10)%

<sup>(1)</sup> We define acquisition-related expenses as costs associated with acquisitions, including transaction costs and other non-recurring incremental costs incurred.

***Non-GAAP Net Income (Loss) and Non-GAAP Net Margin***

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-related expenses, amortization of debt discount and debt issuance costs and loss on early extinguishment and conversion of debt.

**Year Ended January 31,**

	<b>2021</b>	<b>2020<sup>(1)</sup></b>	<b>2019<sup>(1)</sup></b>
	(dollars in thousands)		
Net loss	\$ (266,332)	\$ (208,913)	\$ (125,497)
Add:			
Stock-based compensation expense	196,181	126,624	76,320
Non-cash charitable contributions	9,292	1,746	1,008
Amortization of acquired intangibles	6,373	5,488	832
Acquisition-related expenses <sup>(2)</sup>	—	3,449	—
Amortization of debt discount and debt issuance costs <sup>(3)</sup>	68,424	25,892	14,387
Loss on early extinguishment and conversion of debt <sup>(4)</sup>	2,263	14,572	—
Non-GAAP net income (loss)	<u>\$ 16,201</u>	<u>\$ (31,142)</u>	<u>\$ (32,950)</u>
Net margin	(32)%	(36)%	(31)%
Non-GAAP net margin	2 %	(5)%	(8)%

(1) Prior periods have been adjusted to conform to the current presentation. See footnotes (3) and (4) for additional details.

(2) We define acquisition-related expenses as costs associated with acquisitions, including transaction costs and other non-recurring incremental costs incurred.

(3) Amortization of debt issuance costs is an adjustment to non-GAAP net income (loss), effective July 31, 2020. Debt issuance costs included are \$3.2 million, \$1.8 million and \$1.2 million for the years ended January 31, 2021, 2020 and 2019, respectively.

(4) Loss on early extinguishment and conversion of debt is calculated inclusive of write-offs of debt issuance costs, effective July 31, 2020. The amounts of these write-offs are \$1.1 million, \$3.8 million and nil for the years ended January 31, 2021, 2020 and 2019, respectively.

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

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 anti-dilutive impact of the Company's note hedge and capped call agreements on convertible senior notes outstanding, which fully reduced the potential dilutive effect of the convertible senior notes outstanding. Accordingly, the Company did not record any adjustments to non-GAAP net income (loss) for the potential impact of the convertible senior notes outstanding under the if-converted method.

**Year Ended January 31,**

	<b>2021</b>	<b>2020<sup>(1)</sup></b>	<b>2019<sup>(1)</sup></b>
	(dollars in thousands)		
Net loss	\$ (266,332)	\$ (208,913)	\$ (125,497)
Add:			
Stock-based compensation expense	196,181	126,624	76,320
Non-cash charitable contributions	9,292	1,746	1,008
Amortization of acquired intangibles	6,373	5,488	832
Acquisition-related expenses <sup>(2)</sup>	—	3,449	—
Amortization of debt discount and debt issuance costs <sup>(3)</sup>	68,424	25,892	14,387
Loss on early extinguishment and conversion of debt <sup>(4)</sup>	2,263	14,572	—
Non-GAAP net income (loss)	<u>\$ 16,201</u>	<u>\$ (31,142)</u>	<u>\$ (32,950)</u>
Weighted-average shares used to compute net loss per share, basic and diluted	127,212	117,221	107,504
Non-GAAP weighted-average effect of potentially dilutive securities	15,171	—	—
Non-GAAP weighted-average shares used to compute non-GAAP net income (loss) per share, diluted	<u>142,383</u>	<u>117,221</u>	<u>107,504</u>
Net loss per share, basic and diluted	<u>\$ (2.09)</u>	<u>\$ (1.78)</u>	<u>\$ (1.17)</u>
Non-GAAP net income (loss) per share, basic <sup>(5)</sup>	<u>\$ 0.13</u>	<u>\$ (0.27)</u>	<u>\$ (0.31)</u>
Non-GAAP net income (loss) per share, diluted <sup>(5)</sup>	<u>\$ 0.11</u>	<u>\$ (0.27)</u>	<u>\$ (0.31)</u>

(1) Prior periods have been adjusted to conform to the current presentation. See footnotes (3), (4) and (5) for additional details.

(2) We define acquisition-related expenses as costs associated with acquisitions, including transaction costs and other non-recurring incremental costs incurred.

(3) Amortization of debt issuance costs is an adjustment to non-GAAP net income (loss), effective July 31, 2020. Debt issuance costs included are \$3.2 million, \$1.8 million and \$1.2 million for the years ended January 31, 2021, 2020 and 2019, respectively.

(4) Loss on early extinguishment and conversion of debt is calculated inclusive of write-offs of debt issuance costs, effective July 31, 2020. The amounts of these write-offs are \$1.1 million, \$3.8 million and nil for the years ended January 31, 2021, 2020 and 2019, respectively.

(5) The total impact of the adjustments noted in footnotes (3) and (4) on non-GAAP net income (loss) per share, basic and diluted is \$0.04 and \$0.01 for the years ended January 31, 2020 and 2019, respectively.

**Free Cash Flow and Free Cash Flow Margin**

We define Free Cash Flow as net cash provided by operating activities, less cash used for purchases of property and equipment, net of sales proceeds, and capitalized internal-use software costs. Free cash flow margin is calculated as free cash flow divided by total revenue.

	<b>Year Ended January 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
	(in thousands)		
Net cash provided by operating activities	\$ 127,962	\$ 55,603	\$ 15,172
Less:			
Purchases of property and equipment	(13,083)	(15,442)	(19,811)
Capitalization of internal-use software costs	(4,159)	(3,888)	(2,851)
Proceeds from sales of property and equipment	—	—	740
Free cash flow	<u>\$ 110,720</u>	<u>\$ 36,273</u>	<u>\$ (6,750)</u>
Net cash used in investing activities	<u>\$(1,305,146)</u>	<u>\$(688,041)</u>	<u>\$(197,320)</u>
Net cash provided by financing activities	\$ 1,091,598	\$ 853,385	\$ 357,762
Free cash flow margin	13 %	6 %	(2)%

## Calculated Billings

We define Calculated Billings as total revenue plus the change in deferred revenue and less the change in unbilled receivables during the period.

	Year Ended January 31,		
	2021	2020	2019
	(in thousands)		
Total revenue	\$ 835,424	\$ 586,067	\$ 399,254
Add:			
Deferred revenue (end of period)	513,598	371,450	254,390
Unbilled receivables (beginning of period)	1,026	1,457	809
Less:			
Unbilled receivables (end of period)	(2,604)	(1,026)	(1,457)
Deferred revenue (beginning of period)	(371,450)	(254,390)	(164,779)
Calculated billings	<u>\$ 975,994</u>	<u>\$ 703,558</u>	<u>\$ 488,217</u>

## Liquidity and Capital Resources

As of January 31, 2021, our principal sources of liquidity were cash, cash equivalents and short-term investments totaling \$2,556.2 million, which were held for working capital purposes. Our cash equivalents and investments consisted primarily of U.S. treasury securities, money market funds 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 consolidated statements of cash flows. We expect to continue to incur operating losses and cash flows from operations that may fluctuate between positive and negative amounts for the foreseeable future.

In February 2018, we completed our private offering of the 2023 Notes due on February 15, 2023 and received aggregate proceeds of \$345.0 million, before deducting costs of issuance of \$10.0 million. The interest rate on the 2023 Notes is fixed at 0.25% per annum and is payable semi-annually in arrears on February 15 and August 15 of each year, beginning on August 15, 2018. In connection with the issuance of the 2023 Notes, we entered into convertible note hedges (Note Hedges) with respect to our Class A common stock. We used an aggregate amount of \$80.0 million of the net proceeds from the sale of the 2023 Notes to purchase the Note Hedges. The cost of the Note Hedges was partially offset by proceeds of \$52.4 million from the sale of warrants to purchase shares of our Class A common stock (Warrants) in connection with the issuance of the 2023 Notes.

In September 2019, we completed our private offering of the 2025 Notes due on September 1, 2025 and received aggregate proceeds of \$1,060.0 million, before deducting issuance costs of approximately \$19.3 million. The interest rate on the 2025 Notes is fixed at 0.125% per annum 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 entered into capped call transactions (2025 Capped Calls) with respect to our Class A common stock. We used an aggregate amount of \$74.1 million of the net proceeds from the sale of the 2025 Notes to purchase the 2025 Capped Calls.

Concurrent with the private offering of the 2025 Notes, we repurchased \$224.4 million principal amount of the 2023 Notes in privately-negotiated transactions for aggregate consideration of \$604.8 million, including approximately \$224.4 million in cash and approximately 3.0 million shares of Class A common stock. We also terminated a portion of our existing Note Hedges and Warrants in amounts corresponding to the principal amount of the First Partial Repurchase of 2023 Notes for net proceeds of \$47.2 million.

In June 2020, we completed our private offering of the 2026 Notes due on June 15, 2026 and received aggregate proceeds of \$1,150.0 million, before deducting issuance costs of approximately \$15.2 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 entered into capped call transactions (2026 Capped Calls) with respect to our Class A common stock. We used an aggregate amount of \$134.0 million of the net proceeds from the sale of the 2026 Notes to purchase the 2026 Capped Calls.

Concurrent with the private offering of the 2026 Notes, we repurchased \$69.9 million principal amount of the 2023 Notes in privately-negotiated transactions for aggregate consideration of \$260.5 million, including approximately 1.4 million shares of Class A common stock and \$0.2 million in cash. We also terminated a portion of our existing Note Hedges and Warrants in amounts corresponding to the principal amount of the Second Partial Repurchase of 2023 Notes for net proceeds of \$19.6 million.

Through the year ended January 31, 2021, we converted approximately \$10.4 million principal amount of 2023 Notes (not in connection with the Second Partial Repurchase of 2023 Notes) and exercised corresponding Note Hedges. In connection with these transactions, we issued approximately 0.2 million shares of Class A common stock and made immaterial cash payments and received approximately 0.2 million shares of Class A common stock and an immaterial cash payment.

During the fourth quarter of fiscal 2021, we received additional conversion requests and settled approximately \$4.3 million aggregate principal amount of the 2023 Notes, primarily in shares of Class A common stock, in the first quarter of fiscal 2022. In addition, subsequent to January 31, 2021, the Company has received conversion requests for approximately \$3.2 million aggregate principal amount of the 2023 Notes.

While the potential impacts of the COVID-19 pandemic may create near-term headwinds for cash flow caused by factors such as delays in customer payments and delays in deals closing, 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 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 January 31, 2021, we had deferred revenue of \$513.6 million, of which \$502.7 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.

On March 3, 2021, we and Auth0 entered into the Merger Agreement, pursuant to which we agreed to acquire Auth0, subject to the terms and conditions set forth therein. If consummated, the acquisition of Auth0 may have a significant impact on our liquidity, financial condition and results of operations.

### **Cash Flows**

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

	<b>Year Ended January 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
	(in thousands)		
Net cash provided by operating activities	\$ 127,962	\$ 55,603	\$ 15,172
Net cash used in investing activities	(1,305,146)	(688,041)	(197,320)
Net cash provided by financing activities	1,091,598	853,385	357,762
Effects of changes in foreign currency exchange rates on cash, cash equivalents and restricted cash	2,263	(209)	(632)
Net (decrease) increase in cash, cash equivalents and restricted cash	<u>\$ (83,323)</u>	<u>\$ 220,738</u>	<u>\$ 174,982</u>

## ***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. In recent periods, we have supplemented working capital requirements through net proceeds from the issuance of the 2023, 2025 and 2026 Notes in February 2018, September 2019 and June 2020, respectively, and from our initial public offering (IPO) in April 2017.

During the year ended January 31, 2021, cash provided by operating activities was \$128.0 million primarily due to our net loss of \$266.3 million, adjusted for non-cash charges of \$357.0 million and net cash inflows of \$37.3 million provided by changes in our operating assets and liabilities. Non-cash charges primarily consisted of stock-based compensation, amortization of debt discount and issuance costs, amortization of deferred commissions, depreciation and amortization of property and equipment and intangible assets, non-cash charitable contributions, loss on early extinguishment and conversion of debt and deferred income taxes. The primary drivers of the changes in operating assets and liabilities related to a \$142.1 million increase in deferred revenue, a \$53.8 million increase in accounts payable, accrued compensation and accrued other expenses and a \$19.1 million decrease in operating lease right-of-use assets, partially offset by a \$81.0 million increase in deferred commissions, a \$66.4 million increase in accounts receivable, a \$17.2 million decrease in operating lease liabilities and a \$13.2 million increase in prepaid expenses and other assets.

During the year ended January 31, 2020, cash provided by operating activities was \$55.6 million primarily due to our net loss of \$208.9 million, adjusted for non-cash charges of \$213.0 million and net cash inflows of \$51.5 million provided by changes in our operating assets and liabilities. Non-cash charges primarily consisted of stock-based compensation, amortization of deferred commissions, amortization of debt discount and issuance costs, depreciation and amortization of property and equipment and intangible assets, deferred income taxes, non-cash charitable contributions and loss on early extinguishment of debt. The primary drivers of the changes in operating assets and liabilities related to a \$116.4 million increase in deferred revenue, a \$34.7 million increase in accounts payable, accrued compensation, and accrued other expenses and a \$13.0 million decrease in operating lease right-of-use assets, partially offset by a \$61.2 million increase in deferred commissions, a \$37.5 million increase in accounts receivable, a \$9.7 million decrease in operating lease liabilities and a \$4.1 million increase in prepaid expenses and other assets.

## ***Investing Activities***

Net cash used in investing activities during the year ended January 31, 2021 of \$1,305.1 million was primarily attributable to the purchases of investments of \$2,029.0 million, purchases of property and equipment of \$13.1 million to support additional office space and headcount and the capitalization of internal-use software costs of \$4.2 million associated with the development of additional features and functionality for our platform. These activities were offset by proceeds from the sales and maturities of investments of \$741.3 million.

Net cash used in investing activities during the year ended January 31, 2020 of \$688.0 million was primarily attributable to the purchases of investments of \$999.4 million, payment of \$44.3 million, net of cash acquired, in connection with an acquisition, purchases of property and equipment of \$15.4 million to support additional office space and headcount, payment of \$8.6 million in connection with the purchase of developed technology intangible assets and the capitalization of internal-use software costs of \$3.9 million associated with the development of additional features and functionality for our platform. These activities were offset by proceeds from the sales and maturities of investments of \$383.5 million.

## ***Financing Activities***

Cash provided by financing activities during the year ended January 31, 2021 of \$1,091.6 million was primarily attributable to the issuance of the 2026 Notes for proceeds of \$1,134.8 million, net of issuance costs and proceeds from the termination of Note Hedges of \$195.0 million, offset by payments for termination of Warrants of \$175.4 million and the purchase of the 2026 Capped Calls of \$134.0 million. Other items impacting cash provided by financing activities include proceeds from the exercise of stock options of \$45.6 million and proceeds from our employee stock purchase plan (ESPP) of \$25.9 million.

Cash provided by financing activities during the year ended January 31, 2020 of \$853.4 million was primarily attributable to the issuance of the 2025 Notes for proceeds of \$1,040.7 million, net of issuance costs, and proceeds from the termination of Note Hedges of \$405.9 million, offset by payments for termination of Warrants of \$358.6

million, payments for the First Partial Repurchase of 2023 Notes of \$224.4 million, and the purchase of the 2025 Capped Calls of \$74.1 million. Other items impacting cash provided by financing activities include proceeds from the exercise of stock options of \$45.4 million and proceeds from our ESPP of \$18.8 million.

### **Obligations and Other Commitments**

Our principal commitments consist of obligations under our convertible senior notes, operating leases for office space, data center hosting facilities, and other sales and marketing obligations. Our obligations under our convertible senior notes are described in the "Liquidity and Capital Resources" section of Item 7 of this Annual Report on Form 10-K and in Note 9 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K. Information regarding our non-cancellable lease and other purchase commitments as of January 31, 2021 can be found in Notes 10 and 11 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

### **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 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 consolidated balance sheets, consolidated statements of operations and comprehensive loss, or consolidated statements of cash flows.

### **Critical Accounting Policies and Estimates**

We prepare our consolidated financial statements in accordance with GAAP. In the preparation of these consolidated financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations would be affected. We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. We refer to accounting estimates of this type as critical accounting policies and estimates, which we discuss below.

#### ***Revenue Recognition***

We derive revenue from subscription fees (which include support fees) and professional services fees. We sell subscriptions to our platform through arrangements that are generally one to five years in length. Our arrangements are generally non-cancellable and non-refundable. Furthermore, if a customer reduces the contracted usage or service level, the customer has no right of refund. Our subscription arrangements do not provide customers with the right to take possession of the software supporting the platform and, as a result, are accounted for as service arrangements. This revenue recognition policy is consistent for sales generated directly with customers and sales generated indirectly through channel partners.

We determine revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, we satisfy a performance obligation.

#### *Subscription Revenue*

Subscription revenue, which includes support, is recognized on a straight-line basis over the non-cancellable contractual term of the arrangement, generally beginning on the date that our service is made available to the customer.

#### *Professional Services Revenue*

Our professional services principally consist of customer-specific requests for application integrations, user interface enhancements and other customer specific requests. Revenue for our professional services is recognized as services are performed in proportion with their pattern of transfer.

#### *Contracts with Multiple Performance Obligations*

Some of our contracts with customers contain multiple performance obligations. For these contracts, we account for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative stand-alone selling price (SSP) basis. We determine SSP based on observable prices, if available, for those related services when sold separately. When such observable prices are not available, we determine SSP based on overarching pricing objectives and strategies, taking into consideration market conditions and other factors, including customer size, volume purchased, market and industry conditions, product-specific factors and historical sales of the deliverables.

#### ***Deferred Commissions***

Sales commissions earned by our sales force are considered incremental and recoverable costs of obtaining a contract with a customer. Sales commissions for new revenue contracts, including incremental sales to existing customers, are deferred and then amortized on a straight-line basis over a period of benefit, which we have determined to be generally five years. We determined the period of benefit by taking into consideration the terms of our customer contracts, our technology and other factors. Sales commissions for renewal contracts (which are not considered commensurate with sales commissions for new revenue contracts and incremental sales to existing customers) are deferred and then amortized on a straight-line basis over the related period of benefit, which is generally the related contract renewal term. Amortization expense is included in sales and marketing expenses in our consolidated statements of operations.

Deferred commissions on our consolidated balance sheets totaled \$154.5 million and \$111.5 million at January 31, 2021 and 2020, respectively.

#### ***Business Combinations***

When we acquire a business, the purchase price is allocated to the net tangible and identifiable intangible assets acquired based on their estimated fair values. Any residual purchase price is recorded as goodwill. The allocation of the purchase price requires management to make significant estimates in determining the fair values of assets acquired and liabilities assumed, especially with respect to intangible assets. These estimates can include, but are not limited to, the cash flows that an asset is expected to generate in the future, the appropriate weighted-average cost of capital and the cost savings expected to be derived from acquiring an asset. These estimates are inherently uncertain and unpredictable. During the measurement period, which may be up to one year from the acquisition date, adjustments to the fair value of these tangible and intangible assets acquired and liabilities assumed may be recorded, with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our consolidated statements of operations.

Goodwill on our consolidated balance sheets totaled \$48.0 million at January 31, 2021 and 2020. Goodwill is tested for impairment annually on November 1 or more frequently if certain indicators are present. Based on the annual assessment, no indicator of impairment was noted and as such no impairment charge was recorded during the years ended January 31, 2021, 2020 and 2019.

### ***Convertible Senior Notes***

We account for the issuance of convertible senior notes in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 470-20, Debt with Conversion and Other Options. Pursuant to ASC Subtopic 470-20, as our Notes have a net settlement feature and may be settled wholly or partially in cash upon conversion, we are required to separately account for the liability (debt) and equity (conversion option) components of the instrument. The carrying amount of the liability component is computed by estimating the fair value of a similar liability without the conversion option using income and market based approaches. For the income-based approach, we use a convertible bond pricing model that includes several assumptions such as volatility, the risk-free rate, and observable trading activity for the Company's existing Notes. For the market-based approach, we observe the price of derivative instruments purchased in conjunction with our convertible senior note issuances or we evaluate issuances of convertible debt securities by other companies with similar credit risk ratings at the time of issuance. The amount of the equity component is then calculated by deducting the fair value of the liability component from the principal amount of the instrument. This difference represents a debt discount that is amortized to interest expense over the respective terms of the Notes using an effective interest rate method. The equity component is not remeasured as long as it continues to meet the conditions for equity classification. In accounting for the issuance costs related to the Notes, the allocation of issuance costs incurred between the liability and equity components were based on their relative values.

Similarly, in accordance with ASC Subtopic 470-20, transactions involving contemporaneous exchanges of cash between the same debtor and creditor in connection with the issuance of a new debt obligation and satisfaction of an existing debt obligation by the debtor should be evaluated as a modification or an exchange transaction depending on whether the exchange is determined to have substantially different terms. When the exchange is deemed to have substantially different terms due to a significant difference between the value of the conversion option immediately prior to and after the exchange, the transaction is accounted for as a debt extinguishment. Pursuant to ASC Subtopic 470-20, total consideration for the satisfaction of an existing debt obligation is separated into liability and equity components by estimating the fair value of a similar liability without a conversion option and assigning the residual value to the equity component. The effective interest rate used to estimate the fair value of the liability component is based on the income and market based approaches used to determine the effective interest rate of the new debt obligation, adjusted for the remaining tenor of the extinguished debt. The difference between the fair value and the amortized carrying value of the extinguished debt, net of the proportionate amounts of unamortized debt discount and remaining unamortized debt issuance costs, is recorded as a gain or loss on extinguishment.

### ***Recent Accounting Pronouncements***

See Note 2 to our consolidated financial statements "Summary of Significant Accounting Policies — Recently Adopted Accounting Pronouncements" and " — Recently Issued Accounting Pronouncements Not Yet Adopted" for more information.

## **Item 7A. 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 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 years ended January 31, 2021, 2020 and 2019, a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have had a material impact on our consolidated financial statements.

### ***Interest Rate Risk***

We had cash, cash equivalents and short-term investments totaling \$2,556.2 million as of January 31, 2021, of which \$2,432.8 million was invested in money market funds, U.S. treasury securities and corporate debt securities. Our cash and cash equivalents are held for working capital purposes. 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 January 31, 2021, 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 February 2018, we issued the 2023 Notes due February 15, 2023 with a principal amount of \$345.0 million, of which \$224.4 million and \$69.9 million were repurchased in September 2019 and June 2020, respectively. Concurrently with the issuance of the 2023 Notes, we entered into separate Note Hedges and Warrant transactions, a portion of which were terminated in September 2019 and June 2020 in connection with the 2023 Notes Partial Repurchases. The Note Hedges were completed to reduce the potential dilution from the conversion of the 2023 Notes. Additionally, through the year ended January 31, 2021, we received and completed requests to convert \$10.4 million principal amount of the 2023 Notes (not in connection with the Second Partial Repurchase of 2023 Notes) and exercised a corresponding amount of Note Hedges. During the fourth quarter of fiscal 2021, we received additional conversion requests for \$4.3 million principal amount of the 2023 Notes that were settled in the first quarter of fiscal 2022. In addition, subsequent to January 31, 2021, we received conversion requests for approximately \$3.2 million principal amount of the 2023 Notes.

In September 2019, we issued the 2025 Notes due September 1, 2025 with a principal amount of \$1,060.0 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.

In June 2020, we issued the 2026 Notes due June 15, 2026 with a principal amount of \$1,150.0 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.

The 2023 Notes, 2025 Notes and 2026 Notes have a fixed annual interest rate of 0.25%, 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 fixed interest rate 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 5 to our consolidated financial statements for more information.

## Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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## **Report of Ernst & Young LLP, Independent Registered Public Accounting Firm**

To the Stockholders and the Board of Directors of Okta, Inc.

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Okta, Inc. (the Company) as of January 31, 2021 and 2020, the related consolidated statements of operations, comprehensive loss, stockholders' equity (deficit), and cash flows for each of the three years in the period ended January 31, 2021, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at January 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended January 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of January 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 4, 2021 expressed an unqualified opinion thereon.

### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### **Critical Audit Matters**

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

## **Revenue recognition - Identifying and evaluating terms and conditions in contracts**

### *Description of the Matter*

As explained in Note 2 to the consolidated financial statements, the Company derives revenue from subscription fees and professional services fees. The Company's arrangements are generally non-cancellable and non-refundable. In addition, the arrangements do not provide customers with the right to take possession of the software and, as a result, are accounted for as service arrangements. Subscription revenue, which includes support, is recognized on a straight-line basis over the non-cancellable contractual term of the arrangement, generally beginning on the date that the Company's service is made available to the customer. Revenue for the Company's professional services is recognized as services are performed in proportion to their pattern of transfer.

### *How We Addressed the Matter in Our Audit*

Auditing the Company's accounting for revenue recognition was challenging, specifically related to the appropriate identification and evaluation of non-standard terms and conditions. For example, certain non-standard terms and conditions required judgment to identify the distinct performance obligations and determine the timing of revenue recognition.

We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's internal controls over the identification and evaluation of terms and conditions in contracts that impact revenue recognition, including the identification of performance obligations and the determination of the timing of revenue recognition. This included testing relevant controls over the information systems that are used in the initiation, billing and recording of revenue transactions.

Among other procedures, on a sample basis, we tested the completeness and accuracy of management's identification and evaluation of the non-standard terms and conditions in contracts. We also tested amounts recognized pursuant to contractual terms and conditions by examining the relationship between revenue recognized and accounts receivable and related cash collections. Further, we selected a sample of contractual arrangements to test that management had properly assessed the impact of any non-standard terms on the identified performance obligations and timing of revenue recognition. Additionally, to verify completeness of non-standard terms and conditions, we obtained confirmations of terms and conditions for a sample of arrangements with customers.

## **Convertible Notes**

### *Description of the Matter*

As explained in Note 9 to the consolidated financial statements, in June 2020 the Company issued \$1.15 billion of convertible senior notes due June 15, 2026 (2026 Notes), which permit the Company to settle in cash or stock at its option. Concurrent with the offering of the 2026 Notes, the Company entered into separate capped call transactions to reduce potential dilution upon conversion of the 2026 Notes. Simultaneous with the issuance of the 2026 Notes, the Company repurchased a portion of the convertible notes issued in February 2018, due February 15, 2023 (2023 Notes) (Second Partial Repurchase of 2023 Notes), and accounted for this transaction as a debt extinguishment. These transactions are collectively referred to as the Convertible Notes Transactions.

Auditing the Company's accounting for the Convertible Notes Transactions was complex due to the significant judgment required in determining the liability component of the related convertible notes as well as the balance sheet classification of the elements of the 2026 Notes. The Company accounted for the Convertible Notes Transactions as separate liability and equity components, determined the fair value of the respective liability components based on an estimate of the fair value of a similar liability without a conversion option and assigned the residual value to the equity component.

The Company estimated the fair value of the liability component of the 2026 Notes, 2025 Notes and 2023 Notes using a discounted cash flow model with a risk adjusted yield for similar debt instruments, absent any embedded conversion feature. In estimating the risk adjusted yield, the Company used both an income and market approach. For the income approach, the Company used a convertible bond pricing model, which included several assumptions including volatility, risk-free rate, and observable trading activity for the Company's existing Notes. For the market approach, the Company performed an evaluation of issuances of convertible debt securities by other comparable companies.

Additionally, a detailed analysis of the terms of the 2026 Notes was required to determine existence of any derivatives that may require separate mark-to-market accounting under applicable accounting guidance.

*How We  
Addressed  
the Matter in  
Our Audit*

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Company's Convertible Notes Transactions. For example, we tested the Company's controls over the initial recognition and measurement of the Convertible Notes Transactions, including the recording of the associated liability and equity components.

Our testing of the Company's initial accounting for the Convertible Notes Transactions, among other procedures, included reading the underlying agreements and evaluating the Company's accounting analysis of the initial accounting of the Convertible Notes Transactions, including the determination of the balance sheet classification of each transaction, identification of any derivatives included in the arrangements, and determination that the Second Partial Repurchase of 2023 Notes was a debt extinguishment.

Our testing of the fair value of the liability components of the 2026 Notes and the Second Partial Repurchase of 2023 Notes, included, among other procedures, evaluating the Company's selection of the valuation methodology and significant assumptions and evaluating the completeness and accuracy of the underlying data supporting the significant assumptions and estimates. Specifically, when assessing the key assumptions, we focused on the Company's assumptions used to determine the risk adjusted yield as well as its analysis of comparable issuances of debt securities by other companies. In addition, we involved a valuation specialist to assist in our evaluation of the significant assumptions and methodology used by the Company.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2013.

San Francisco, California

March 4, 2021

## **Report of Ernst & Young LLP, Independent Registered Public Accounting Firm**

To the Stockholders and the Board of Directors of Okta, Inc.

### **Opinion on Internal Control Over Financial Reporting**

We have audited Okta, Inc.'s internal control over financial reporting as of January 31, 2021, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Okta, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of January 31, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of January 31, 2021 and 2020, the related consolidated statements of operations, comprehensive loss, stockholders' equity (deficit), and cash flows for each of the three years in the period ended January 31, 2021, and the related notes and our report dated March 4, 2021 expressed an unqualified opinion thereon.

### **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

San Francisco, California

March 4, 2021

**OKTA, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except per share data)

	<u>As of January 31,</u>	
	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 434,607	\$ 520,048
Short-term investments	2,121,584	882,976
Accounts receivable, net of allowances of \$3,451 and \$1,166	194,818	130,115
Deferred commissions	45,949	33,636
Prepaid expenses and other current assets	81,609	32,950
<b>Total current assets</b>	<u>2,878,567</u>	<u>1,599,725</u>
Property and equipment, net	62,783	53,535
Operating lease right-of-use assets	149,604	125,204
Deferred commissions, noncurrent	108,555	77,874
Intangible assets, net	27,009	32,529
Goodwill	48,023	48,023
Other assets	24,256	18,505
<b>Total assets</b>	<u>\$ 3,298,797</u>	<u>\$ 1,955,395</u>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 8,557	\$ 3,837
Accrued expenses and other current liabilities	53,729	36,887
Accrued compensation	71,906	40,300
Convertible senior notes, net	908,684	100,703
Deferred revenue	502,738	365,236
<b>Total current liabilities</b>	<u>1,545,614</u>	<u>546,963</u>
Convertible senior notes, net, noncurrent	857,387	837,002
Operating lease liabilities, noncurrent	179,518	154,511
Deferred revenue, noncurrent	10,860	6,214
Other liabilities, noncurrent	11,375	5,361
<b>Total liabilities</b>	<u>2,604,754</u>	<u>1,550,051</u>
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Preferred stock, par value \$0.0001 per share; 100,000 shares authorized, no shares issued and outstanding as of January 31, 2021 and 2020	—	—
Class A Common stock, par value \$0.0001 per share; 1,000,000 shares authorized; 122,824 and 113,990 shares issued and outstanding as of January 31, 2021 and 2020, respectively	12	11
Class B Common stock, par value \$0.0001 per share; 120,000 shares authorized; 8,159 and 8,648 shares issued and outstanding as of January 31, 2021 and 2020, respectively	1	1
Additional paid-in capital	1,656,096	1,105,564
Accumulated other comprehensive income	5,390	892
Accumulated deficit	(967,456)	(701,124)
<b>Total stockholders' equity</b>	<u>694,043</u>	<u>405,344</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 3,298,797</u>	<u>\$ 1,955,395</u>

*See Notes to Consolidated Financial Statements.*

**OKTA, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per share data)

	Year Ended January 31,		
	2021	2020	2019
Revenue			
Subscription	\$ 796,613	\$ 552,688	\$ 370,855
Professional services and other	38,811	33,379	28,399
Total revenue	835,424	586,067	399,254
Cost of revenue			
Subscription	170,095	116,445	77,354
Professional services and other	47,586	42,937	36,067
Total cost of revenue	217,681	159,382	113,421
Gross profit	617,743	426,685	285,833
Operating expenses			
Research and development	222,826	159,269	102,385
Sales and marketing	427,350	340,356	227,960
General and administrative	171,726	112,892	75,110
Total operating expenses	821,902	612,517	405,455
Operating loss	(204,159)	(185,832)	(119,622)
Interest expense	(72,660)	(27,017)	(15,072)
Interest income and other, net	12,891	17,089	9,180
Loss on early extinguishment and conversion of debt	(2,263)	(14,572)	—
Interest and other, net	(62,032)	(24,500)	(5,892)
Loss before provision for (benefit from) income taxes	(266,191)	(210,332)	(125,514)
Provision for (benefit from) income taxes	141	(1,419)	(17)
Net loss	<u>\$ (266,332)</u>	<u>\$ (208,913)</u>	<u>\$ (125,497)</u>
Net loss per share, basic and diluted	<u>\$ (2.09)</u>	<u>\$ (1.78)</u>	<u>\$ (1.17)</u>
Weighted-average shares used to compute net loss per share, basic and diluted	<u>127,212</u>	<u>117,221</u>	<u>107,504</u>

*See Notes to Consolidated Financial Statements.*

**OKTA, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(in thousands)

	Year Ended January 31,		
	2021	2020	2019
Net loss	\$ (266,332)	\$ (208,913)	\$ (125,497)
Other comprehensive income (loss):			
Net change in unrealized gains or losses on available-for-sale securities	779	1,220	179
Foreign currency translation adjustments	3,719	(9)	(889)
Other comprehensive income (loss)	4,498	1,211	(710)
Comprehensive loss	\$ (261,834)	\$ (207,702)	\$ (126,207)

*See Notes to Consolidated Financial Statements.*

OKTA, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

(dollars in thousands)

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity (Deficit)						
	Shares	Amount	Shares	Amount										
<b>Balances as of January 31, 2018</b>	70,609,898	\$	33,361,106	\$	3	\$	565,653	\$	391	\$	(366,714)	\$	199,340	
Issuance of common stock upon exercise of stock options and other activity, net	6,465,957		1	104,084			37,610						37,611	
Issuance of common stock under employee stock purchase plan	615,210						13,727						13,727	
Issuance of common stock for settlement of RSUs	976,248													
Issuance of common stock pursuant to charitable donation	20,000						1,008						1,008	
Conversion of Class B common stock to Class A common stock	22,406,009		2	(22,406,009)	(2)									
Equity component of convertible senior notes, net of issuance costs							77,631						77,631	
Issuance of warrants related to convertible senior notes							52,440						52,440	
Purchases of hedges related to convertible senior notes							(80,040)						(80,040)	
Stock-based compensation							76,867						76,867	
Other comprehensive loss											(710)		(710)	
Net loss											(125,497)		(125,497)	
<b>Balances as of January 31, 2019</b>	101,093,322		10	11,059,181	1		744,896			(319)	(492,211)		252,377	
Issuance of common stock upon exercise of stock options and other activity, net	5,323,410		1	100,007			45,731						45,732	
Issuance of common stock under employee stock purchase plan	322,795						18,767						18,767	
Issuance of common stock for settlement of RSUs	1,716,222													
Issuance of common stock for bonus settlement	34,600						2,809						2,809	
Issuance of common stock pursuant to charitable donation	15,000						1,746						1,746	
Conversion of Class B common stock to Class A common stock	2,511,409						(2,511,409)							
Equity component of convertible senior notes, net of issuance costs							217,347						217,347	
Equity component of early extinguishment of convertible senior notes	2,973,311						(26,713)						(26,713)	
Proceeds from hedges related to convertible senior notes							405,851						405,851	
Payments for warrants related to convertible senior notes							(358,622)						(358,622)	
Purchases of capped calls related to convertible senior notes							(74,094)						(74,094)	
Stock-based compensation							127,846						127,846	
Other comprehensive income											1,211		1,211	
Net loss											(208,913)		(208,913)	
<b>Balances as of January 31, 2020</b>	113,990,069	\$	11	8,647,779	\$	1	\$	1,105,564	\$	892	\$	(701,124)	\$	405,344

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
Issuance of common stock upon exercise of stock options and other activity, net	4,113,825	1	254,858	—	45,619	—	—	45,620
Issuance of common stock under employee stock purchase plan, net of cancellations	247,131	—	—	—	25,911	—	—	25,911
Issuance of common stock for settlement of RSUs	2,109,393	—	—	—	—	—	—	—
Issuance of common stock for bonus settlement	85,701	—	—	—	9,818	—	—	9,818
Issuance of common stock pursuant to charitable donation	42,500	—	—	—	9,292	—	—	9,292
Conversion of Class B common stock to Class A common stock	743,190	—	(743,190)	—	—	—	—	—
Exercise of hedges related to convertible senior notes	(167,946)	—	—	—	—	—	—	—
Equity component of convertible senior notes, net of issuance costs	—	—	—	—	306,220	—	—	306,220
Equity component of early extinguishment and conversion of convertible senior notes	1,660,104	—	—	—	70,493	—	—	70,493
Proceeds from hedges related to convertible senior notes	—	—	—	—	195,046	—	—	195,046
Payments for warrants related to convertible senior notes	—	—	—	—	(175,399)	—	—	(175,399)
Purchases of capped calls related to convertible senior notes	—	—	—	—	(133,975)	—	—	(133,975)
Stock-based compensation	—	—	—	—	197,507	—	—	197,507
Other comprehensive income	—	—	—	—	—	4,498	—	4,498
Net loss	—	—	—	—	—	—	(266,332)	(266,332)
<b>Balances as of January 31, 2021</b>	<b>122,823,967</b>	<b>\$</b>	<b>12</b>	<b>\$</b>	<b>1,656,096</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
			<b>8,159,447</b>	<b>\$</b>	<b>5,390</b>	<b>\$</b>	<b>(967,456)</b>	<b>\$</b>

See Notes to Consolidated Financial Statements.

**OKTA, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

	Year Ended January 31,		
	2021	2020	2019
<b>Cash flows from operating activities:</b>			
Net loss	\$ (266,332)	\$ (208,913)	\$ (125,497)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Stock-based compensation	196,181	126,624	76,320
Depreciation, amortization and accretion	36,865	17,815	8,001
Amortization of debt discount and issuance costs	68,424	25,892	14,279
Amortization of deferred commissions	39,661	28,588	20,852
Deferred income taxes	(1,182)	(2,253)	(765)
Non-cash charitable contributions	9,292	1,746	1,008
Loss on early extinguishment and conversion of debt	2,263	14,572	—
Other, net	5,537	(11)	640
Changes in operating assets and liabilities:			
Accounts receivable	(66,373)	(37,515)	(39,682)
Deferred commissions	(81,016)	(61,224)	(41,342)
Prepaid expenses and other assets	(13,174)	(4,080)	(10,334)
Operating lease right-of-use assets	19,053	12,951	17,239
Accounts payable	4,081	1,689	(1,437)
Accrued compensation	44,157	23,034	7,429
Accrued expenses and other liabilities	5,527	9,972	5,800
Operating lease liabilities	(17,150)	(9,716)	(6,642)
Deferred revenue	142,148	116,432	89,303
Net cash provided by operating activities	<u>127,962</u>	<u>55,603</u>	<u>15,172</u>
<b>Cash flows from investing activities:</b>			
Capitalization of internal-use software costs	(4,159)	(3,888)	(2,851)
Purchases of property and equipment	(13,083)	(15,442)	(19,811)
Proceeds from sales of property and equipment	—	—	740
Purchases of securities available for sale and other	(2,029,030)	(999,387)	(631,488)
Proceeds from maturities and redemption of securities available for sale	535,123	356,277	298,650
Proceeds from sales of securities available for sale and other	206,129	27,271	173,072
Purchase of intangible assets	(126)	(8,589)	—
Payments for business acquisition, net of cash acquired	—	(44,283)	(15,632)
Net cash used in investing activities	<u>(1,305,146)</u>	<u>(688,041)</u>	<u>(197,320)</u>
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of convertible senior notes, net of issuance costs	1,134,841	1,040,660	334,980
Payments for repurchases of convertible senior notes	(446)	(224,414)	—
Purchases of hedges related to convertible senior notes	—	—	(80,040)
Proceeds from hedges related to convertible senior notes	195,046	405,851	—
Proceeds from issuance of warrants related to convertible senior notes	—	—	52,440
Payments for warrants related to convertible senior notes	(175,399)	(358,622)	—
Purchases of capped calls related to convertible senior notes	(133,975)	(74,094)	—
Proceeds from stock option exercises, net of repurchases	45,620	45,363	36,861
Proceeds from shares issued in connection with employee stock purchase plan	25,911	18,767	13,727
Other, net	—	(126)	(206)
Net cash provided by financing activities	<u>1,091,598</u>	<u>853,385</u>	<u>357,762</u>
Effects of changes in foreign currency exchange rates on cash, cash equivalents and restricted cash	2,263	(209)	(632)
Net (decrease) increase in cash, cash equivalents and restricted cash	(83,323)	220,738	174,982
Cash, cash equivalents and restricted cash at beginning of year	531,953	311,215	136,233
Cash, cash equivalents and restricted cash at end of year	<u>\$ 448,630</u>	<u>\$ 531,953</u>	<u>\$ 311,215</u>

Year Ended January 31,		
2021	2020	2019

**Supplementary cash flow disclosure:**

Cash paid during the period for:

Interest	\$ 3,759	\$ 862	\$ 403
Income taxes	978	1,123	514

Non-cash investing and financing activities:

Issuance of common stock for repurchases and conversions of convertible senior notes	307,910	380,406	—
Benefit from exercise of hedges related to convertible senior notes	37,076	—	—
Common stock issued as charitable contribution	9,292	1,746	1,008
Operating lease right-of-use assets exchanged for lease liabilities	45,611	16,832	127,575
Property and equipment acquired through tenant improvement allowance	4,811	304	22,236
Property and equipment and other accrued but not yet paid	974	855	7,225
Issuance of common stock for bonus settlement	9,818	2,809	—

**Reconciliation of cash, cash equivalents, and restricted cash within the consolidated balance sheets to the amounts shown in the statements of cash flows above:**

Cash and cash equivalents	\$ 434,607	\$ 520,048	\$ 298,394
Restricted cash, current included in prepaid expenses and other current assets	4,553	467	1,384
Restricted cash, noncurrent included in other assets	9,470	11,438	11,437
<b>Total cash, cash equivalents and restricted cash</b>	<b>\$ 448,630</b>	<b>\$ 531,953</b>	<b>\$ 311,215</b>

*See Notes to Consolidated Financial Statements.*

# OKTA, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Overview and Basis of Presentation

#### *Description of Business*

Okta, Inc. (the Company) is the leading independent identity management platform for the enterprise. The Okta Identity Cloud enables the Company's customers to securely connect the right people to the right technologies and services at the right time. The Company was incorporated in January 2009 as Saasure, Inc., a California corporation, and was later reincorporated in April 2010 under the name Okta, Inc. as a Delaware corporation. The Company is headquartered in San Francisco, California.

#### *Basis of Presentation and Principles of Consolidation*

The accompanying 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). All intercompany balances and transactions have been eliminated in consolidation.

The Company's fiscal year ends on January 31. References to fiscal 2021, for example, refer to the fiscal year ended January 31, 2021.

#### *Use of Estimates*

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The Company bases its estimates on historical experience and on other assumptions that its management believes are reasonable under the circumstances. Actual results could vary from those estimates. The Company's most significant estimates include the SSP for each distinct performance obligation included in customer contracts with multiple performance obligations, the determination of the period of benefit for deferred commissions, the determination of the effective interest rate of the liability components of its convertible senior notes, the determination of the incremental borrowing rate used for operating lease liabilities, the valuation of deferred income tax assets and the valuation of acquired intangible assets.

In March 2020, the World Health Organization (WHO) declared the outbreak of the novel coronavirus, COVID-19, a pandemic, which continues to spread across the globe. The Company considered the impact of COVID-19 on the assumptions and estimates used and determined that there were no material adverse impacts on the consolidated financial statements for the year ended January 31, 2021. As events continue to evolve and additional information becomes available, our assumptions and estimates may change materially in future periods.

#### *Foreign Currency*

The functional currencies of the Company's foreign subsidiaries are the respective local currencies. Translation adjustments arising from the use of differing exchange rates from period to period are included in accumulated other comprehensive loss within the consolidated statements of redeemable convertible preferred stock and stockholders' equity (deficit). Foreign currency transaction gains and losses are included in other expense, net in the consolidated statements of operations and were not material for the years ended January 31, 2021, 2020 or 2019. All assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the exchange rate on the balance sheet date. Revenue and expenses are translated at the average exchange rate during the period, and equity balances are translated using historical exchange rates.

### 2. Summary of Significant Accounting Policies

#### *Segment Information*

The Company operates in a single operating segment. The Company's chief operating decision maker is its chief executive officer, who reviews financial information presented on a consolidated basis for purposes of making operating decisions, assessing financial performance and allocating resources.

## ***Revenue Recognition***

The Company derives revenue from subscription fees (which include support fees) and professional services fees. The Company sells subscriptions to its platform through arrangements that are generally one to five years in length. The Company's arrangements are generally non-cancellable and non-refundable. Furthermore, if a customer reduces the contracted usage or service level, the customer has no right of refund. The Company's subscription arrangements do not provide customers with the right to take possession of the software supporting the platform and, as a result, are accounted for as service arrangements. This revenue recognition policy is consistent for sales generated directly with customers and sales generated indirectly through channel partners.

The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, the Company satisfies a performance obligation.

### ***Subscription Revenue***

Subscription revenue, which includes support, is recognized on a straight-line basis over the non-cancellable contractual term of the arrangement, generally beginning on the date that the Company's service is made available to the customer.

### ***Professional Services Revenue***

The Company's professional services principally consist of customer-specific requests for application integrations, user interface enhancements and other customer-specific requests. Revenue for the Company's professional services is recognized as services are performed in proportion to their pattern of transfer.

### ***Contracts with Multiple Performance Obligations***

Some of the Company's contracts with customers contain multiple performance obligations. For these contracts, the Company accounts for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative SSP basis. The Company determines SSP based on observable, if available, prices for those related services when sold separately. When such observable prices are not available, the Company determines SSP based on overarching pricing objectives and strategies, taking into consideration market conditions and other factors, including customer size, volume purchased, market and industry conditions, product-specific factors and historical sales of the deliverables.

### ***Deferred Revenue***

Deferred revenue consists primarily of payments received and accounts receivable recorded in advance of revenue recognition under the Company's subscription and support services and professional services arrangements. The Company primarily invoices its customers for its subscription services arrangements annually in advance. The Company's payment terms generally provide that customers pay the invoiced portion of the total arrangement fee within 30 days of the invoice date. Amounts anticipated to be recognized within one year of the balance sheet date are recorded as deferred revenue, current; the remaining portion is recorded as deferred revenue, noncurrent in the consolidated balance sheets.

### ***Deferred Commissions***

Sales commissions earned by the Company's sales force are considered incremental and recoverable costs of obtaining a contract with a customer. Sales commissions for new revenue contracts, including incremental sales to existing customers, are deferred and then amortized on a straight-line basis over a period of benefit, which the Company has determined to be generally five years. The Company determined the period of benefit by taking into consideration the terms of its customer contracts, its technology and other factors. Sales commissions for renewal contracts (which are not considered commensurate with sales commissions for new revenue contracts and incremental sales to existing customers) are deferred and then amortized on a straight-line basis over the related

period of benefit, which is generally the related contract renewal term. Amortization expense is included in sales and marketing expenses in the accompanying consolidated statements of operations.

Sales commissions capitalized as contract costs totaled \$81.0 million and \$61.3 million in the years ended January 31, 2021 and 2020, respectively. Amortization of contract costs was \$39.7 million, \$28.6 million and \$20.9 million for the years ended January 31, 2021, 2020 and 2019, respectively. There was no impairment loss in relation to the costs capitalized.

### ***Cost of Revenue***

Costs of revenue primarily consist of costs related to providing the Company's cloud-based platform to its customers, including third-party hosting fees, amortization of capitalized internal-use software and finite-lived purchased developed technology, customer support, other employee-related expenses for security, technical operations and professional services staff, and allocated overhead costs.

### ***Cash, Cash Equivalents and Restricted Cash***

Cash and cash equivalents consist of cash on hand and highly liquid investments with original maturities of three months or less from the date of purchase. Cash equivalents generally consist of investments in money market funds. The fair market value of cash equivalents approximated their carrying value as of January 31, 2021 and 2020.

As of January 31, 2021 and 2020, the Company's long-term restricted cash balance was \$9.5 million and \$11.4 million, respectively, primarily related to letters of credit for its facility lease agreements.

### ***Short-Term Investments***

The Company's short-term investments comprise U.S. treasury securities and corporate debt securities. The Company determines the appropriate classification of its short-term investments at the time of purchase and reevaluates such designation at each balance sheet date. The Company has classified and accounted for its short-term investments as available-for-sale securities as the Company may sell these securities at any time for use in its current operations or for other purposes, even prior to maturity. As a result, short-term investments, including securities with stated maturities beyond twelve months, are classified within current assets in the consolidated balance sheets.

Available-for-sale securities are recorded at fair value each reporting period and are periodically evaluated for unrealized losses. For unrealized losses in securities that the Company intends to hold and will not more likely than not be required to sell before recovery, the Company further evaluates whether declines in fair value below amortized cost are due to credit or non-credit related factors.

The Company considers credit related impairments to be changes in value that are driven by a change in the creditor's ability to meet its payment obligations, and records an allowance and recognizes a corresponding loss in interest income and other, net when the impairment is incurred. Unrealized non-credit related losses and unrealized gains are reported as a separate component of accumulated other comprehensive loss in the consolidated balance sheets until realized. Realized gains and losses are determined based on the specific identification method and are reported in interest income and other, net in the consolidated statements of operations.

### ***Accounts Receivable and Allowances***

Accounts receivable are recorded at the invoiced amount, net of allowances. These allowances are based on the Company's assessment of the collectibility of accounts by considering the age of each outstanding invoice, the collection history of each customer, and an evaluation of current expected risk of credit loss based on current economic conditions and reasonable and supportable forecasts of future economic conditions over the life of the receivable. We assess collectibility by reviewing accounts receivable on an aggregated basis where similar characteristics exist and on an individual basis when we identify specific customers with collectibility issues. Amounts deemed uncollectible are recorded as an allowance in the consolidated balance sheets with an offsetting decrease in deferred revenue or a charge to general and administrative expense in the consolidated statements of operations.

As of January 31, 2021, allowances include collectibility concerns stemming from business and market disruption caused by COVID-19 and may fluctuate materially in future periods as the duration and severity of the impact of the COVID-19 pandemic remains uncertain.

### ***Property and Equipment***

Property and equipment, net, is stated at cost less accumulated depreciation. Depreciation is recorded using the straight-line method over the estimated useful lives of the respective assets. Repairs and maintenance costs are expensed as incurred.

The useful lives of property and equipment are as follows:

	<b>Useful lives</b>
Capitalized internal-use software costs	3 years
Computers and equipment	3 years
Furniture and fixtures	7 years
Leasehold improvements	Shorter of estimated useful life or remaining lease term

### ***Business Combinations***

When the Company acquires a business, the purchase price is allocated to the net tangible and identifiable intangible assets acquired based on their estimated fair values. Any residual purchase price is recorded as goodwill. The allocation of the purchase price requires management to make significant estimates in determining the fair values of assets acquired and liabilities assumed, especially with respect to intangible assets. These estimates can include, but are not limited to, the cash flows that an asset is expected to generate in the future, the appropriate weighted-average cost of capital and the cost savings expected to be derived from acquiring an asset. These estimates are inherently uncertain and unpredictable. During the measurement period, which may be up to one year from the acquisition date, adjustments to the fair value of these tangible and intangible assets acquired and liabilities assumed may be recorded, with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the consolidated statements of operations.

### ***Goodwill and Other Long-Lived Assets***

The excess of the purchase price over the estimated fair value of net assets of businesses acquired in a business combination is recognized as goodwill. Goodwill is tested for impairment annually on November 1<sup>st</sup> or more frequently if certain indicators are present.

Long-lived assets, such as property and equipment and finite-lived intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of any asset may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount to the estimated undiscounted future cash flows expected to be generated. If the carrying amount exceeds the undiscounted cash flows, the assets are determined to be impaired and an impairment charge is recognized as the amount by which the carrying amount exceeds its fair value.

The Company amortizes intangible assets with finite lives on a straight-line basis over their estimated useful lives in cost of revenue in the consolidated statements of operations.

### ***Operating Leases and Incremental Borrowing Rate***

The Company leases office space under operating leases with expiration dates through 2028. The Company determines whether an arrangement constitutes a lease and records lease liabilities and right-of-use assets on its consolidated balance sheets at lease commencement. Lease liabilities are measured based on the present value of the total lease payments not yet paid discounted based on the more readily determinable of either the rate implicit in the lease or the Company's incremental borrowing rate, which is the estimated rate the Company would be required to pay for a collateralized borrowing equal to the total lease payments over the term of the lease. Lease liabilities due within twelve months are included within accrued expenses and other current liabilities on the Company's consolidated balance sheet. The estimation of the incremental borrowing rate is based on an estimate of the Company's unsecured borrowing rate for its Notes, adjusted for tenor and collateralized security features. Right-of-use assets are measured based on the corresponding lease liability adjusted for (i) payments made to the lessor at or before the commencement date, (ii) initial direct costs incurred and (iii) tenant incentives received, incurred or payable under the lease. Recognition of rent expense begins when the lessor makes the underlying asset available to the Company. The Company does not assume renewals or early terminations of its leases unless it is reasonably certain to exercise these options at commencement and does not allocate consideration between lease and non-lease components.

For short-term leases, the Company records rent expense in its consolidated statements of operations on a straight-line basis over the lease term and records variable lease payments as incurred.

### ***Convertible Senior Notes***

The Company accounts for the issuance of convertible senior notes in accordance with FASB ASC Subtopic 470-20, Debt with Conversion and Other Options. Pursuant to ASC Subtopic 470-20, as the Notes have a net settlement feature and may be settled wholly or partially in cash upon conversion, the Company is required to separately account for the liability (debt) and equity (conversion option) components of the instrument. The carrying amount of the liability component is computed by estimating the fair value of a similar liability without the conversion option using income and market based approaches. For the income-based approach, the Company uses a convertible bond pricing model that includes several assumptions such as volatility, the risk-free rate, and observable trading activity for the Company's existing Notes. For the market-based approach, the Company observes the price of derivative instruments purchased in conjunction with our convertible senior note issuances or the Company evaluates issuances of convertible debt securities by other companies with similar credit risk ratings at the time of issuance. The amount of the equity component is then calculated by deducting the fair value of the liability component from the principal amount of the instrument. This difference represents a debt discount that is amortized to interest expense over the respective terms of the Notes using an effective interest rate method. The equity component is not remeasured as long as it continues to meet the conditions for equity classification. In accounting for the issuance costs related to the Notes, the allocation of issuance costs incurred between the liability and equity components were based on their relative values.

Similarly, in accordance with ASC Subtopic 470-20, transactions involving contemporaneous exchanges of cash between the same debtor and creditor in connection with the issuance of a new debt obligation and satisfaction of an existing debt obligation by the debtor should be evaluated as a modification or an exchange transaction depending on whether the exchange is determined to have substantially different terms. When the exchange is deemed to have substantially different terms due to a significant difference between the value of the conversion option immediately prior to and after the exchange, the transaction is accounted for as a debt extinguishment. Pursuant to ASC Subtopic 470-20, total consideration for the satisfaction of an existing debt obligation is separated into liability and equity components by estimating the fair value of a similar liability without a conversion option and assigning the residual value to the equity component. The effective interest rate used to estimate the fair value of the liability component is based on the income and market based approaches used to determine the effective interest rate of the new debt obligation, adjusted for the remaining tenor of the extinguished debt. The difference between the fair value and the amortized carrying value of the extinguished debt, net of the proportionate amounts of unamortized debt discount and remaining unamortized debt issuance costs, is recorded as a gain or loss on extinguishment.

### ***Advertising Expenses***

Advertising costs are expensed as incurred. Advertising expense was \$33.1 million, \$17.0 million, and \$10.0 million for the years ended January 31, 2021, 2020 and 2019.

## ***Income Taxes***

The Company accounts for income taxes in accordance with the liability method of accounting for income taxes. Under this method, the Company recognizes deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting and tax basis of assets and liabilities, as well as for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates that are expected to apply to taxable income for the years in which those tax assets and liabilities are expected to be realized or settled.

The Company records a valuation allowance to reduce its deferred tax assets to the net amount that the Company believes is more likely than not to be realized. In assessing the need for a valuation allowance, the Company has considered its historical levels of income, expectations of future taxable income and ongoing tax planning strategies. Because of the uncertainty of the realization of the deferred tax assets, the Company has recorded a full valuation allowance against its deferred tax assets. Realization of its deferred tax assets is dependent primarily upon future U.S. taxable income.

The Company recognizes and measures tax benefits from uncertain tax positions using a two-step approach.

The first step is to evaluate the tax position taken or expected to be taken by determining if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained in an audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. Significant judgment is required to evaluate uncertain tax positions.

Although the Company believes that it has adequately reserved for its uncertain tax positions, it can provide no assurance that the final tax outcome of these matters will not be materially different. The Company evaluates its uncertain tax position on a regular basis and evaluations are based on a number of factors, including changes in facts and circumstances, changes in tax law, correspondence with tax authorities during the course of an audit and effective settlement of audit issues.

To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made and could have a material impact on the Company's financial condition and results of operations. The provision for income taxes includes the effects of any accruals that the Company believes are appropriate, as well as the related net interest and penalties.

## ***Concentrations of Risk and Significant Customers***

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, short-term investments and accounts receivable. Cash and cash equivalents and short-term investments are currently held in three financial institutions and, at times, may exceed federally insured limits.

As of January 31, 2021 and 2020 and for each of the three years ended January 31, 2021, no single customer represented greater than 10% of accounts receivable or greater than 10% of revenue, respectively.

In order to reduce the risk of downtime of the Company's subscription services, the Company uses data center facilities operated by a third-party located in Virginia, Oregon, Ohio, Germany, Ireland, Singapore and Sydney. The Company has internal procedures to restore services in the event of disaster at any of its current data center facilities. Even with these procedures for disaster recovery in place, the Company's subscription services could be significantly interrupted during the time period following a disaster at one of its sites and the subsequent restoration of services at another site.

## Geographical Information

Revenue by location is determined by the billing address of the customer. The following table sets forth revenue by geographic area (in thousands):

	Year Ended January 31,		
	2021	2020	2019
United States	\$ 701,635	\$ 494,529	\$ 337,367
International	133,789	91,538	61,887
Total	<u>\$ 835,424</u>	<u>\$ 586,067</u>	<u>\$ 399,254</u>

Other than the United States, no individual country exceeded 10% of total revenue for the years ended January 31, 2021, 2020 and 2019.

Property and equipment by geographic location is based on the location of the legal entity that owns the asset. As of January 31, 2021 and 2020, substantially all of the Company's property and equipment was located in the United States.

## Net Loss per Share

The Company computes basic and diluted net loss per share attributable to common stockholders in conformity with the two-class method required for participating securities. Under the two-class method, basic net loss per share attributable to common stockholders is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period, less shares subject to repurchase, without consideration for potentially dilutive securities as they do not share in losses. The diluted net loss per share attributable to common stockholders is computed giving effect to all potential dilutive common stock equivalents outstanding for the period. For purposes of this calculation, options to purchase common stock, unvested restricted stock units (RSUs) purchase rights issued under the 2017 Employee Stock Purchase Plan shares subject to repurchase from early exercised options, unvested common stock and restricted stock issued in connection with certain business combinations, convertible senior notes and warrants are considered common stock equivalents but have been excluded from the calculation of diluted net loss per share attributable to common stockholders as their effect is antidilutive. Since the Company's IPO, Class A and Class B common stock are the only outstanding equity of the Company. The rights of the holders of Class A and Class B common stock are identical, except with respect to voting and conversion rights. See Note 15.

## Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, which changes the existing incurred loss impairment model for financial assets held at amortized cost. The new model uses a forward-looking expected loss method to calculate credit loss estimates. ASU 2016-13 also eliminates the concept of other-than-temporary impairment and requires credit losses related to available-for-sale debt securities to be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. These changes will result in earlier recognition of credit losses. The Company adopted the requirements of ASU 2016-13 as of February 1, 2020 on a modified retrospective basis. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (ASU 2018-15), which requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in Accounting Standards Codification 350-40 to determine which implementation costs to defer and recognize as an asset. The Company adopted the requirements of ASU 2018-15 as of February 1, 2020 on a prospective basis. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, Simplifying the Accounting for Income Taxes (ASU 2019-12), as part of its Simplification Initiative to reduce the cost and complexity in accounting for income taxes. ASU 2019-12 removes certain exceptions related to the approach for intraperiod tax allocation and clarifies the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The guidance is effective for interim and annual periods beginning after December 15, 2020, with early adoption permitted. The Company early adopted ASU 2019-12 as of February 1, 2020 on a

prospective basis. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

### ***Recently Issued Accounting Pronouncements Not Yet Adopted***

In August 2020, the FASB issued ASU No. 2020-06, Accounting for Convertible Instruments and Contracts in an Entity's Own Equity (ASU 2020-06), which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts in an entity's own equity. Among other changes, ASU 2020-06 removes from GAAP the liability and equity separation model for convertible instruments with a cash conversion feature, and as a result, after adoption, entities will no longer separately present in equity an embedded conversion feature for such debt. Similarly, the embedded conversion feature will no longer be amortized into income as interest expense over the life of the instrument. Instead, entities will account for a convertible debt instrument wholly as debt unless (1) a convertible instrument contains features that require bifurcation as a derivative under ASC Topic 815, Derivatives and Hedging, or (2) a convertible debt instrument was issued at a substantial premium. Among other potential impacts, this change is expected to reduce reported interest expense, increase reported net income, and result in a reclassification of certain conversion feature-related balance sheet amounts from stockholders' equity to liabilities as it relates to the Company's convertible senior notes. Additionally, ASU 2020-06 requires the application of the if-converted method to calculate the impact of convertible instruments on diluted earnings per share (EPS), which is consistent with the Company's accounting treatment under the current standard. ASU 2020-06 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted for fiscal years beginning after December 15, 2020, and can be adopted on either a fully retrospective or modified retrospective basis. The Company is currently evaluating the timing, method of adoption and overall impact of this standard on its consolidated financial statements.

### **3. Business Combinations**

During the year ended year ended January 31, 2020, the Company completed a business combination for a purchase price of \$44.2 million, net of \$1.1 million in cash acquired. The Company recorded \$15.7 million for developed technology intangible assets with an estimated useful life of five years and recorded \$29.9 million of goodwill which is primarily attributed to the assembled workforce as well as the integration of the acquired technology. The Company incurred \$3.0 million of acquisition-related costs, which were recorded as general and administrative expense in the quarter ended April 30, 2019.

The Company also entered into deferred compensation arrangements in connection with prior acquisitions totaling \$10.8 million, of which \$3.0 million was recognized as compensation during the year ended January 31, 2021. The remaining deferred compensation balance is immaterial.

These acquisitions did not have a material impact on the Company's consolidated financial statements; therefore, historical and proforma disclosures have not been presented.

#### 4. Cash Equivalents and Short-term Investments

The amortized cost, unrealized gain (loss) and estimated fair value of the Company's cash equivalents and short-term investments as of January 31, 2021 and 2020 were as follows (in thousands):

	As of January 31, 2021			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
Cash equivalents:				
Money market funds	\$ 311,257	\$ —	\$ —	\$ 311,257
Total cash equivalents	311,257	—	—	311,257
Short-term investments:				
U.S. treasury securities	1,888,882	1,571	(22)	1,890,431
Corporate debt securities	230,726	429	(2)	231,153
Total short-term investments	2,119,608	2,000	(24)	2,121,584
Total	\$ 2,430,865	\$ 2,000	\$ (24)	\$ 2,432,841

	As of January 31, 2020			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
Cash equivalents:				
Money market funds	\$ 416,584	\$ —	\$ —	\$ 416,584
U.S. treasury securities	19,996	—	—	19,996
Total cash equivalents	436,580	—	—	436,580
Short-term investments:				
U.S. treasury securities	575,920	686	(8)	576,598
Corporate debt securities	305,859	519	—	306,378
Total short-term investments	881,779	1,205	(8)	882,976
Total	\$ 1,318,359	\$ 1,205	\$ (8)	\$ 1,319,556

All short-term investments were designated as available-for-sale securities as of January 31, 2021 and 2020.

The following table presents the contractual maturities of the Company's short-term investments as of January 31, 2021 and 2020 (in thousands):

	As of January 31, 2021	
	Amortized Cost	Estimated Fair Value
Due within one year	\$ 1,509,241	\$ 1,510,810
Due between one to five years	610,367	610,774
Total	\$ 2,119,608	\$ 2,121,584

As of January 31, 2021 and 2020, the Company included \$31.0 million and nil, respectively, of unsettled maturities of short-term investments in Prepaid expenses and other current assets.

The Company included \$10.5 million and \$5.7 million of interest receivable in Prepaid expenses and other current assets as of January 31, 2021 and 2020, respectively. The Company did not recognize an allowance for credit losses against interest receivable as of January 31, 2021 and 2020 because such potential losses were not material.

The Company had 10 and 7 short-term investments in unrealized loss positions as of January 31, 2021 and 2020, respectively. There were no material gross unrealized gains or losses from available-for-sale securities and no material realized gains or losses from available-for-sale securities that were reclassified out of accumulated other comprehensive income for the years ended January 31, 2021, 2020 and 2019.

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. Based on this evaluation, the Company determined that for short-term investments, there were no material credit or non-credit related impairments as of January 31, 2021 and 2020.

## 5. Fair Value Measurements

The Company measures its financial assets at fair value each reporting period using a fair value hierarchy that prioritizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. A financial instrument's classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Three levels of inputs may be used to measure 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.

### **Assets and Liabilities Measured at Fair Value on a Recurring Basis**

The following table presents information about the Company's financial assets that were measured at fair value on a recurring basis using the above input categories (in thousands):

	As of January 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market funds	\$ 311,257	\$ —	\$ —	\$ 311,257
Total cash equivalents	311,257	—	—	311,257
Short-term investments:				
U.S. treasury securities	—	1,890,431	—	1,890,431
Corporate debt securities	—	231,153	—	231,153
Total short-term investments	—	2,121,584	—	2,121,584
Total cash equivalents and short-term investments	\$ 311,257	\$ 2,121,584	\$ —	\$ 2,432,841
As of January 31, 2020				
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market funds	\$ 416,584	\$ —	\$ —	\$ 416,584
U.S. treasury securities	—	19,996	—	19,996
Total cash equivalents	416,584	19,996	—	436,580
Short-term investments:				
U.S. treasury securities	—	576,598	—	\$ 576,598
Corporate debt securities	—	306,378	—	306,378
Total short-term investments	—	882,976	—	882,976
Total cash equivalents and short-term investments	\$ 416,584	\$ 902,972	\$ —	\$ 1,319,556

The carrying amounts of certain financial instruments, including cash held in banks, accounts receivable and accounts payable approximate fair value due to their short-term maturities and are excluded from the fair value table above.

### **Fair Value Measurements of Other Financial Instruments**

The following table presents the carrying amounts and estimated fair values of our financial instruments that are not recorded at fair value on the consolidated balance sheets (in thousands):

	As of January 31, 2021	
	Net Carrying Amount <sup>(1)</sup>	Estimated Fair Value
2023 convertible senior notes	\$ 36,092	\$ 216,926
2025 convertible senior notes	\$ 885,465	\$ 1,605,508
2026 convertible senior notes	\$ 867,643	\$ 1,493,850

<sup>(1)</sup> Before unamortized debt issuance costs.

The principal amounts of the 2023 Notes, the 2025 Notes and the 2026 Notes are \$40.2 million, \$1,060.0 million and \$1,150.0 million, respectively. The difference between the principal amounts of the 2023 Notes, the 2025 Notes and the 2026 Notes and the respective net carrying amounts before unamortized debt issuance costs represents the unamortized debt discount (See Note 9 for additional details). 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. As of January 31, 2021, the difference between the net carrying amount of the Notes and their estimated fair values represented the equity conversion value premium the market assigned to the Notes. Based on the closing price of our common stock of \$259.01 on January 31, 2021, the if-converted value of the 2023 Notes, 2025 Notes and 2026 Notes exceeded the principal amount of \$40.2 million, \$1,060.0 million and \$1,150.0 million, respectively.

## 6. Goodwill and Intangible Assets, net

### Goodwill

As of January 31, 2021 and 2020, goodwill was \$48.0 million. During the year ended January 31, 2020, the Company recorded \$29.9 million of goodwill in connection with a business combination that was completed in March 2019. No goodwill impairments were recorded during the years ended January 31, 2021, 2020 and 2019.

### Intangible Assets, net

Intangible assets consisted of the following (in thousands):

	As of January 31, 2021			
	Gross	Accumulated Amortization	Write-offs	Net
Capitalized internal-use software costs	\$ 30,259	\$ (19,478)	\$ —	\$ 10,781
Purchased developed technology	28,800	(12,694)	—	16,106
Software licenses	126	(4)	—	122
	<u>\$ 59,185</u>	<u>\$ (32,176)</u>	<u>\$ —</u>	<u>\$ 27,009</u>
	As of January 31, 2020			
	Gross	Accumulated Amortization	Write-offs	Net
Capitalized internal-use software costs	\$ 24,890	\$ (14,828)	\$ (119)	\$ 9,943
Purchased developed technology	28,800	(6,321)	—	22,479
Software licenses	1,112	(1,005)	—	107
	<u>\$ 54,802</u>	<u>\$ (22,154)</u>	<u>\$ (119)</u>	<u>\$ 32,529</u>

The Company capitalized \$5.5 million and \$5.1 million of internal-use software costs during the years ended January 31, 2021 and 2020, respectively.

During the year ended January 31, 2020, the Company recorded \$24.2 million of purchased developed technology in connection with a business combination and an asset acquisition. The remaining weighted-average useful life of all purchased developed technology was 3.1 years and 3.9 years as of January 31, 2021, and 2020, respectively.

Amortization expense of intangible assets for the years ended January 31, 2021, 2020 and 2019 was \$11.1 million, \$10.6 million, and \$5.8 million, respectively.

As of January 31, 2021, estimated remaining amortization expense for the intangible assets by fiscal year was as follows (in thousands):

	<b>Remaining Amortization</b>
2022	\$ 10,354
2023	8,416
2024	7,354
2025	885
<b>Total</b>	<b>\$ 27,009</b>

## 7. Balance Sheet Components

### ***Property and Equipment, net***

Property and equipment consisted of the following (in thousands):

	<b>As of January 31,</b>	
	<b>2021</b>	<b>2020</b>
Computers and equipment	\$ 1,242	\$ 3,567
Furniture and fixtures	13,948	11,014
Leasehold improvements	69,862	55,363
Property and equipment, gross	85,052	69,944
Less accumulated depreciation	(22,269)	(16,409)
Property and equipment, net	<b>\$ 62,783</b>	<b>\$ 53,535</b>

Depreciation expense was \$9.4 million, \$8.8 million and \$5.7 million for the years ended January 31, 2021, 2020 and 2019, respectively.

### ***Allowances***

The Company's accounts receivable allowances for the years ended January 31, 2021, 2020 and 2019 were as follows (in thousands):

	<b>As of January 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Balance, beginning of period	\$ 1,166	\$ 2,098	\$ 1,472
Additions (reductions)	3,252	(673)	888
Write-offs	(967)	(259)	(262)
Balance, end of period	<b>\$ 3,451</b>	<b>\$ 1,166</b>	<b>\$ 2,098</b>

### ***Accrued Expenses and Other Current Liabilities***

Accrued expenses and other current liabilities consisted of the following (in thousands):

	<b>As of January 31,</b>	
	<b>2021</b>	<b>2020</b>
Accrued expenses	\$ 24,717	\$ 22,530
Accrued taxes payable	2,462	1,591
Operating lease liabilities	23,403	12,064
Other	3,147	702
Accrued expenses and other current liabilities	<b>\$ 53,729</b>	<b>\$ 36,887</b>

## **Other Liabilities, Noncurrent**

Other liabilities, noncurrent consisted of the following (in thousands):

	As of January 31,	
	2021	2020
Deferred tax liabilities	\$ 3,877	\$ 1,558
Other	7,498	3,803
Other liabilities, noncurrent	<u>\$ 11,375</u>	<u>\$ 5,361</u>

## **8. 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 years ended January 31, 2021 and 2020 that was included in the deferred revenue balances at the beginning of the respective periods was \$361.0 million and \$241.1 million, respectively. Professional services and other revenue recognized in the years ended January 31, 2021 and 2020 from deferred revenue balances at the beginning of the respective periods was not material.

### *Transaction Price Allocated to the Remaining Performance Obligations*

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

As of January 31, 2021, total remaining non-cancellable performance obligations under the Company's subscription contracts with customers was approximately \$1,796.9 million. Of this amount, the Company expects to recognize revenue of approximately \$841.8 million, or 47%, 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 January 31, 2021 were not material.

## **9. Convertible Senior Notes, Net**

### **2023 Convertible Senior Notes**

The 2023 Notes are senior, unsecured obligations of the Company, and bear interest at a fixed rate of 0.25% per year. Interest is payable in cash semi-annually in arrears on February 15 and August 15 of each year, beginning on August 15, 2018. The 2023 Notes mature on February 15, 2023 unless earlier repurchased or converted. The Company may not redeem the 2023 Notes prior to maturity. The total net proceeds from the 2023 Notes, after deducting initial purchasers' discounts and debt issuance costs, was \$335.0 million.

In September 2019, the Company used part of the net proceeds from the issuance of the 2025 Notes to repurchase a portion of the 2023 Notes, which consisted of a repurchase of \$224.4 million aggregate principal amount of the 2023 Notes in privately-negotiated transactions for aggregate consideration of \$604.8 million, consisting of approximately \$224.4 million in cash and approximately 3.0 million shares of Class A common stock. The \$604.8 million in aggregate consideration was allocated between the debt and equity components in the amounts of \$197.7 million and \$407.1 million, respectively, using an effective interest rate of 4.00% to determine the fair value of the liability component. As of the repurchase date, the carrying value of the notes subject to the First Partial Repurchase of 2023 Notes, net of unamortized debt discount and issuance costs, was \$183.1 million. The First Partial Repurchase of 2023 Notes resulted in a \$14.6 million loss on early debt extinguishment during the year ended January 31, 2020, of which \$3.8 million consisted of unamortized debt issuance costs.

In June 2020, the Company used part of the net proceeds from the issuance of the 2026 Notes to repurchase a portion of the 2023 Notes, which consisted of a repurchase of \$69.9 million aggregate principal amount of the 2023 Notes in privately-negotiated transactions, for aggregate consideration of \$260.5 million, consisting of approximately \$0.2 million in cash and approximately 1.4 million shares of Class A common stock. The \$260.5

million in aggregate consideration was allocated between the debt and equity components in the amounts of \$61.8 million and \$198.7 million respectively, using an effective interest rate of 4.90% to determine the fair value of the liability component. As of the repurchase date, the carrying value of the notes subject to the Second Partial Repurchase of 2023 Notes, net of unamortized debt discount and issuance costs, was \$59.6 million. The Second Partial Repurchase of 2023 Notes resulted in a \$2.2 million loss on early debt extinguishment during the year ended January 31, 2021, of which \$1.0 million consisted of unamortized debt issuance costs.

The interest rates used in the 2023 Notes Partial Repurchases were based on the income and market based approaches used to determine the effective interest rate of the 2025 Notes and 2026 Notes, adjusted for the remaining tenor of the 2023 Notes. As of January 31, 2021, \$40.2 million of principal remained outstanding on the 2023 Notes.

The terms of the 2023 Notes are governed by an Indenture by and between the Company and Wilmington Trust, National Association, as Trustee (the 2023 Indenture). Upon conversion, the 2023 Notes may be settled in cash, shares of Class A common stock or a combination of cash and shares of Class A common stock, at the Company's election.

The 2023 Notes are convertible at an initial conversion rate of 20.6795 shares of Class A common stock per \$1,000 principal amount of the 2023 Notes, which is equal to an initial conversion price of approximately \$48.36 per share of Class A common stock, subject to adjustment under certain circumstances in accordance with the terms of the 2023 Indenture. Prior to the close of business on the business day immediately preceding October 15, 2022, holders of the 2023 Notes may convert all or a portion of their 2023 Notes only in multiples of \$1,000 principal amount, under the following circumstances:

- during any fiscal quarter commencing after the fiscal quarter ending on April 30, 2018 (and only during such fiscal quarter), if the last reported sale price of Class A common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price of the 2023 Notes on each applicable trading day;
- during the five business day period after any five consecutive trading day period in which the trading price per \$1,000 principal amount of the 2023 Notes for each trading day of that five consecutive trading day period was less than 98% of the product of the last reported sale price of Class A common stock and the conversion rate on such trading day; or
- upon the occurrence of specified corporate events, as described in the 2023 Indenture.

On or after October 15, 2022 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their 2023 Notes regardless of the foregoing circumstances. For at least 20 trading days during the period of 30 consecutive trading days ended January 31, 2021, the last reported sale price of the Company's common stock was equal to or exceeded 130% of the conversion price of the 2023 Notes on each applicable trading day. As a result, the 2023 Notes are convertible at the option of the holders during the fiscal quarter ending April 30, 2021 and were classified as current liabilities on the consolidated balance sheet as of January 31, 2021.

During the year ended January 31, 2021, the Company paid approximately \$0.3 million in cash and issued approximately 0.2 million shares of Class A common stock to settle approximately \$10.4 million principal amount of 2023 Notes (not in connection with the Second Partial Repurchase of the 2023 Notes). The loss on early note conversion was not material. During the fourth quarter of fiscal 2021, the Company received additional conversion requests, and approximately \$4.3 million aggregate principal amount of the 2023 Notes were primarily settled in shares of Class A common stock in the first quarter of fiscal 2022. In addition, subsequent to January 31, 2021, the Company received conversion requests for approximately \$3.2 million aggregate principal amount of the 2023 Notes.

Holders of the 2023 Notes who convert their 2023 Notes in connection with certain corporate events that constitute a make-whole fundamental change (as defined in the 2023 Indenture) are, under certain circumstances, entitled to an increase in the conversion rate. Additionally, in the event of a corporate event that constitutes a fundamental change (as defined in the 2023 Indenture), holders of the 2023 Notes may require the Company to repurchase all or a portion of their 2023 Notes at a price equal to 100% of the principal amount of the 2023 Notes being repurchased, plus any accrued and unpaid interest.

In accounting for the issuance of the 2023 Notes, the Company separated the 2023 Notes into liability and equity components, using an effective interest rate of 5.68% to determine the fair value of the liability component. This interest rate was based on both an income and a market based approach. For the income approach, the Company used a convertible bond pricing model, which included several assumptions including volatility and the risk-free rate. For the market approach, the Company observed the price of the Note Hedges (see below) it purchased for its 2023 Notes and also performed an evaluation of issuances of convertible debt securities by other companies with similar credit risk ratings at the time of issuance. The following table sets forth total interest expense recognized related to the 2023 Notes (in thousands):

	<u>Year Ended January 31,</u>	
	<u>2021</u>	<u>2020</u>
Contractual interest expense	\$ 180	\$ 606
Amortization of debt issuance costs	312	985
Amortization of debt discount	3,316	11,219
Total	<u>\$ 3,808</u>	<u>\$ 12,810</u>

Total initial issuance costs of \$10.0 million related to the 2023 Notes were allocated between liability and equity in the same proportion as the allocation of the total proceeds to the liability and equity components. Issuance costs attributable to the liability component are being amortized to interest expense over the respective term of the 2023 Notes using the effective interest rate method. The issuance costs attributable to the equity component were netted against the respective equity component in Additional paid-in capital. The Company initially recorded liability issuance costs of \$7.7 million and equity issuance costs of \$2.3 million.

The 2023 Notes, net consisted of the following (in thousands):

	<u>As of January 31,</u>
	<u>2021</u>
Liability component:	
Principal	\$ 40,246
Less: unamortized debt issuance costs and debt discount	(4,591)
Net carrying amount	<u>\$ 35,655</u>
Equity component:	
2023 Notes	\$ 9,328
Less: issuance costs	(271)
Carrying amount of the equity component <sup>(1)</sup>	<u>\$ 9,057</u>

<sup>(1)</sup> Included in the consolidated balance sheets within Additional paid-in capital.

### **Note Hedges**

In connection with the pricing of the 2023 Notes, the Company entered into convertible note hedges with respect to its Class A common stock. The Note Hedges are purchased call options that give the Company the option to purchase, subject to anti-dilution adjustments substantially identical to those in the 2023 Notes, approximately 7.1 million shares of its Class A common stock for approximately \$48.36 per share (subject to adjustment), corresponding to the approximate initial conversion price of the 2023 Notes, exercisable upon conversion of the 2023 Notes. The Note Hedges will expire in 2023, if not exercised earlier. The Note Hedges are intended to offset potential dilution to the Company's Class A common stock and/or offset the potential cash payments that the Company could be required to make in excess of the principal amount upon any conversion of the 2023 Notes under certain circumstances. The Note Hedges are separate transactions and are not part of the terms of the 2023 Notes.

The Company paid an aggregate amount of \$80.0 million for the Note Hedges. The amount paid for the Note Hedges was recorded as a reduction to Additional paid-in capital in the consolidated balance sheets.

In September 2019 and in June 2020, and in connection with the First Partial Repurchase of 2023 Notes and Second Partial Repurchase of 2023 Notes, the Company terminated Note Hedges corresponding to approximately

4.6 million and 1.4 million shares for cash proceeds of \$405.9 million and \$195.0 million, respectively. The proceeds were recorded as an increase to Additional paid-in capital in the consolidated balance sheets.

During the year ended January 31, 2021, the Company exercised and net-share-settled a portion of the Note Hedges, corresponding to approximately \$10.4 million principal amount of 2023 Notes and received approximately 0.2 million shares of Class A common stock and an immaterial cash payment. As of January 31, 2021, Note Hedges giving the Company the option to purchase approximately 0.8 million shares (subject to adjustment) remained outstanding.

### ***Warrants***

In connection with the issuance of the 2023 Notes, the Company also entered into separate warrant transactions pursuant to which it sold net-share-settled (or, at the Company's election subject to certain conditions, cash-settled) warrants to acquire, subject to anti-dilution adjustments, up to approximately 7.1 million shares over 80 scheduled trading days beginning in May 2023 of the Company's Class A common stock at an initial exercise price of approximately \$68.06 per share (subject to adjustment). If the Warrants are not exercised on their exercise dates, they will expire. If the market value per share of the Company's Class A common stock exceeds the applicable exercise price of the Warrants, the Warrants could have a dilutive effect on the Company's Class A common stock unless, subject to the terms of the Warrants, the Company elects to cash settle the Warrants. The Warrants are separate transactions and are not part of the terms of the 2023 Notes or the Note Hedges.

The Company received aggregate proceeds of \$52.4 million from the sale of the Warrants in connection with the 2023 Notes. The proceeds from the sale of the Warrants were recorded as an increase to Additional paid-in capital in the consolidated balance sheets.

In September 2019 and in June 2020, and in connection with the First Partial Repurchase of 2023 Notes and Second Partial Repurchase of 2023 Notes, the Company terminated Warrants corresponding to approximately 4.6 million and 1.4 million shares for total cash payments of \$358.6 million and \$175.4 million, respectively. The termination payments were recorded as a decrease to Additional paid-in capital in the consolidated balance sheets.

As of January 31, 2021, Warrants to acquire up to approximately 1.0 million shares (subject to adjustment) remained outstanding.

### ***2025 Convertible Senior Notes***

The 2025 Notes are senior, unsecured obligations of the Company, and bear interest at a fixed rate of 0.125% per year. Interest is payable in cash semi-annually in arrears on March 1 and September 1 of each year, beginning on March 1, 2020. The 2025 Notes mature on September 1, 2025 unless earlier redeemed, repurchased or converted. The total net proceeds from the 2025 Notes, after deducting initial purchasers' discounts and debt issuance costs, were \$1,040.7 million.

The terms of the 2025 Notes are governed by an Indenture by and between the Company and Wilmington Trust, National Association, as Trustee (the 2025 Indenture). Upon conversion, the 2025 Notes may be settled in cash, shares of Class A common stock or a combination of cash and shares of Class A common stock, at the Company's election.

The 2025 Notes are convertible at an initial conversion rate of 5.2991 shares of Class A common stock per \$1,000 principal amount of the 2025 Notes, which is equal to an initial conversion price of approximately \$188.71 per share of Class A common stock, subject to adjustment under certain circumstances in accordance with the terms of the 2025 Indenture. Prior to the close of business on the business day immediately preceding June 1, 2025, holders of the 2025 Notes may convert all or a portion of their 2025 Notes only in multiples of \$1,000 principal amount, under the following circumstances:

- during any fiscal quarter commencing after the fiscal quarter ending on January 31, 2020 (and only during such fiscal quarter), if the last reported sale price of Class A common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price of the 2025 Notes on each applicable trading day;
- during the five business day period after any five consecutive trading day period in which the trading price per \$1,000 principal amount of the 2025 Notes for each trading day of that five consecutive

trading day period was less than 98% of the product of the last reported sale price of Class A common stock and the conversion rate on such trading day;

- if the Company calls the notes for redemption, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date; or
- upon the occurrence of specified corporate events, as described in the 2025 Indenture.

On or after June 1, 2025 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their 2025 Notes regardless of the foregoing circumstances. For at least 20 trading days during the period of 30 consecutive trading days ended January 31, 2021, the last reported sale price of the Company's common stock was equal to or exceeded 130% of the conversion price of the 2025 Notes on each applicable trading day. As a result, the 2025 Notes are convertible at the option of the holders during the fiscal quarter ending April 30, 2021 and were classified as current liabilities on the consolidated balance sheet as of January 31, 2021. No requests to convert material amounts of notes are currently outstanding.

The Company may redeem for cash all or any portion of the 2025 Notes, at its option, on or after September 6, 2022, if the last reported sale price of the Company's Class A common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on and including the trading day preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the 2025 Notes to be redeemed, plus any accrued and unpaid interest to, but excluding, the redemption date. During the year ended January 31, 2021, the Company did not redeem any of the 2025 Notes.

Holders of the 2025 Notes who convert their 2025 Notes in connection with certain corporate events that constitute a make-whole fundamental change (as defined in the 2025 Indenture) or in connection with the Company's issuance of a redemption notice are, under certain circumstances, entitled to an increase in the conversion rate. Additionally, in the event of a corporate event that constitutes a fundamental change (as defined in the Indenture), holders of the 2025 Notes may require the Company to repurchase all or a portion of their 2025 Notes at a price equal to 100% of the principal amount of the 2025 Notes being repurchased, plus any accrued and unpaid interest.

In accounting for the issuance of the 2025 Notes, the Company separated the 2025 Notes into liability and equity components using an effective interest rate of 4.10% to determine the fair value of the liability component. This interest rate was based on both an income and a market based approach. For the income approach, the Company used a convertible bond pricing model, which included several assumptions including volatility and the risk-free rate. For the market approach, the Company performed an evaluation of issuances of convertible debt securities by other companies with similar credit risk ratings at the time of issuance. The following table sets forth total interest expense recognized related to the 2025 Notes (in thousands):

	<b>Year Ended January 31,</b>	
	<b>2021</b>	<b>2020</b>
Contractual interest expense	\$ 1,325	\$ 519
Amortization of debt issuance costs	2,097	769
Amortization of debt discount	33,932	12,919
<b>Total</b>	<b>\$ 37,354</b>	<b>\$ 14,207</b>

Total issuance costs of \$19.3 million related to the 2025 Notes were allocated between liability and equity in the same proportion as the allocation of the total proceeds to the liability and equity components. Issuance costs attributable to the liability component are being amortized to interest expense over the respective term of the 2025 Notes using the effective interest rate method. The issuance costs attributable to the equity component were netted against the respective equity component in Additional paid-in capital. The Company recorded liability issuance costs of \$15.3 million and equity issuance costs of \$4.0 million.

The 2025 Notes, net consisted of the following (in thousands):

	As of January 31, 2021
<b>Liability component:</b>	
Principal	\$ 1,060,000
Less: unamortized debt issuance costs and debt discount	(186,971)
Net carrying amount	<u>\$ 873,029</u>
<b>Equity component:</b>	
2025 Notes	\$ 221,387
Less: issuance costs	(4,040)
Carrying amount of the equity component <sup>(1)</sup>	<u>\$ 217,347</u>

<sup>(1)</sup> Included in the consolidated balance sheets within Additional paid-in capital.

### **2025 Capped Calls**

In connection with the pricing of the 2025 Notes, the Company entered into capped call transactions with respect to its Class A common stock. The 2025 Capped Calls are purchased call options that give the Company the option to purchase, subject to anti-dilution adjustments substantially identical to those in the 2025 Notes, approximately 5.6 million shares of its Class A common stock for approximately \$188.71 per share (subject to adjustment), corresponding to the approximate initial conversion price of the 2025 Notes, exercisable upon conversion of the 2025 Notes. The 2025 Capped Calls have initial cap prices of \$255.88 per share (subject to adjustment) and will expire in 2025, if not exercised earlier. The 2025 Capped Calls are intended to offset potential dilution to the Company's Class A common stock and/or offset the potential cash payments that the Company could be required to make in excess of the principal amount upon any conversion of the 2025 Notes under certain circumstances. The 2025 Capped Calls are separate transactions and are not part of the terms of the 2025 Notes.

The Company paid an aggregate amount of \$74.1 million for the 2025 Capped Calls. The amount paid for the 2025 Capped Calls was recorded as a reduction to Additional paid-in capital in the consolidated balance sheets.

### **2026 Convertible Senior Notes**

The 2026 Notes are senior, unsecured obligations of the Company, and bear interest at a fixed rate of 0.375% per year. Interest is payable in cash semi-annually in arrears on June 15 and December 15 of each year, beginning on December 15, 2020. The 2026 Notes mature on June 15, 2026 unless earlier redeemed, repurchased or converted. The total net proceeds from the 2026 Notes, after deducting initial purchasers' discounts and debt issuance costs, were \$1,134.8 million.

The terms of the 2026 Notes are governed by an Indenture by and between the Company and Wilmington Trust, National Association, as Trustee (the 2026 Indenture, and together with the 2023 Indenture and 2025 Indenture, the Indentures). Upon conversion, the 2026 Notes may be settled in cash, shares of Class A common stock or a combination of cash and shares of Class A common stock, at the Company's election.

The 2026 Notes are convertible at an initial conversion rate of 4.1912 shares of Class A common stock per \$1,000 principal amount of the 2026 Notes, which is equal to an initial conversion price of approximately \$238.60 per share of Class A common stock, subject to adjustment under certain circumstances in accordance with the terms of the Indenture. Prior to the close of business on the business day immediately preceding March 15, 2026, holders of the 2026 Notes may convert all or a portion of their 2026 Notes only in multiples of \$1,000 principal amount, under the following circumstances:

- during any fiscal quarter commencing after the fiscal quarter ending on October 31, 2020 (and only during such fiscal quarter), if the last reported sale price of our Class A common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price of the 2026 Notes on each applicable trading day;

- during the five business day period after any five consecutive trading day period in which the trading price per \$1,000 principal amount of the 2026 Notes for each trading day of that five consecutive trading day period was less than 98% of the product of the last reported sale price of our Class A common stock and the conversion rate on such trading day;
- if the Company calls the notes for redemption, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date; or
- upon the occurrence of specified corporate events, as described in the 2026 Indenture.

On or after March 15, 2026 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their 2026 Notes regardless of the foregoing circumstances. During the year ended January 31, 2021, the conditions allowing holders of the 2026 Notes to convert were not met.

The Company may redeem for cash all or any portion of the 2026 Notes, at its option, on or after June 20, 2023, if the last reported sale price of the Company's Class A common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive), including the trading day immediately preceding the date on which we provide notice of redemption, during any 30 consecutive trading day period ending on and including the trading day preceding the date on which we provide notice of redemption price equal to 100% of the principal amount of the notes to be redeemed, plus any accrued and unpaid interest to, but excluding, the redemption date. During the year ended January 31, 2021, the Company did not redeem any of the 2026 Notes.

Holders of the 2026 Notes who convert their 2026 Notes in connection with certain corporate events that constitute a make-whole fundamental change (as defined in the Indenture) or in connection with the Company's issuance of a redemption notice are, under certain circumstances, entitled to an increase in the conversion rate. Additionally, in the event of a corporate event that constitutes a fundamental change (as defined in the Indenture), holders of the 2026 Notes may require the Company to repurchase all or a portion of their 2026 Notes at a price equal to 100% of the principal amount of the 2026 Notes being repurchased, plus any accrued and unpaid interest.

In accounting for the issuance of the 2026 Notes, the Company separated the 2026 Notes into liability and equity components using an effective interest rate of 5.75% to determine the fair value of the liability component. This interest rate was based on both an income and a market based approach. For the income approach, the Company used a convertible bond pricing model, which included several assumptions including volatility, the risk-free rate and observable trading activity for the Company's existing Notes. For the market approach, the Company performed an evaluation of issuances of convertible debt securities by other companies with similar credit risk ratings at the time of issuance. The following table sets forth total interest expense recognized related to the 2026 Notes (in thousands):

	<b>Year Ended January 31, 2021</b>
Contractual interest expense	\$ 2,731
Amortization of debt issuance costs	813
Amortization of debt discount	27,954
Total	<u>\$ 31,498</u>

Total issuance costs of \$15.2 million related to the 2026 Notes were allocated between liability and equity in the same proportion as the allocation of the total proceeds to the liability and equity components. Issuance costs attributable to the liability component are being amortized to interest expense over the respective term of the 2026 Notes using the effective interest rate method. The issuance costs attributable to the equity component were netted against the respective equity component in Additional paid-in capital. The Company recorded liability issuance costs of \$11.1 million and equity issuance costs of \$4.1 million.

The 2026 Notes, net consisted of the following (in thousands):

	<u>As of January 31, 2021</u>
<b>Liability component:</b>	
Principal	\$ 1,150,000
Less: unamortized debt issuance costs and debt discount	(292,613)
Net carrying amount	<u>\$ 857,387</u>
	<u>At Issuance</u>
<b>Equity component:</b>	
2026 Notes	\$ 310,311
Less: issuance costs	(4,090)
Carrying amount of the equity component <sup>(1)</sup>	<u>\$ 306,221</u>

<sup>(1)</sup> Included in the consolidated balance sheets within Additional paid-in capital.

### **2026 Capped Calls**

In connection with the pricing of the 2026 Notes, the Company entered into capped call transactions with respect to its Class A common stock. The 2026 Capped Calls are purchased call options that give the Company the option to purchase, subject to anti-dilution adjustments substantially identical to those in the 2026 Notes, approximately 4.8 million shares of its Class A common stock for approximately \$238.60 per share (subject to adjustment), corresponding to the approximate initial conversion price of the 2026 Notes, exercisable upon conversion of the 2026 Notes. The 2026 Capped Calls have initial cap prices of \$360.14 per share (subject to adjustment) and will expire in 2026, if not exercised earlier. The 2026 Capped Calls are intended to offset potential dilution to the Company's Class A common stock and/or offset the potential cash payments that the Company could be required to make in excess of the principal amount upon any conversion of the 2026 Notes under certain circumstances. The 2026 Capped Calls are separate transactions and are not part of the terms of the 2026 Notes.

The Company paid an aggregate amount of \$134.0 million for the 2026 Capped Calls. The amount paid for the 2026 Capped Calls was recorded as a reduction to Additional paid-in capital in the consolidated balance sheets.

## **10. Leases**

The Company has entered into various non-cancellable office space operating leases with original lease periods expiring between 2021 and 2028. These leases do not contain material variable rent payments, residual value guarantees, covenants or other restrictions. The Company's corporate headquarters lease in San Francisco has a 10 year term, which expires in October 2028. The Company is entitled to two five-year options to extend this lease, subject to certain requirements.

Operating lease costs were as follows (in thousands):

	<u>Year Ended January 31,</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating lease costs <sup>(1)</sup>	\$ 33,076	\$ 23,193	\$ 23,290

<sup>(1)</sup> Amounts are presented exclusive of sublease income and include short-term leases, which are immaterial.

The weighted-average remaining term of the Company's operating leases was 6.8 and 7.9 years and the weighted-average discount rate used to measure the present value of the operating lease liabilities was 5.6% and 5.7% as of January 31, 2021 and January 31, 2020, respectively.

Maturities of the Company's operating lease liabilities, which do not include short-term leases, as of January 31, 2021 were as follows (in thousands):

	<b>Operating Leases</b>
2022	\$ 34,410
2023	37,910
2024	38,823
2025	36,289
2026	26,839
Thereafter	73,135
Total lease payments	247,406
Less imputed interest	(44,279)
Total operating lease liabilities	<u>\$ 203,127</u>

Cash payments included in the measurement of the Company's operating lease liabilities were \$31.1 million and \$18.3 million for the years ended January 31, 2021 and January 31, 2020, respectively.

The Company recorded an impairment charge for operating lease right-of-use assets of \$3.1 million and nil for the years ended January 31, 2021 and January 31, 2020, respectively.

## 11. 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 \$11.2 million and \$11.9 million were issued and outstanding as of January 31, 2021 and 2020, respectively. No draws have been made under such letters of credit.

### *Purchase Obligations*

As of January 31, 2021, future minimum purchase obligations, such as data center operations and sales and marketing activities, were as follows (in thousands):

	<b>Purchase Obligations</b>
2022	\$ 53,992
2023	38,370
2024	32,844
2025	1,604
2026	1,417
Total contractual obligations	<u>\$ 128,227</u>

### *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. There were no such material matters as of January 31, 2021 and 2020.

### *Warranties and Indemnification*

The Company's subscription services are generally warranted to perform materially in accordance with the Company's online help documentation under normal use and circumstances. Additionally, the Company's arrangements generally include provisions for indemnifying customers against liabilities if its subscription services infringe a third party's intellectual property rights. Furthermore, the Company may also incur liabilities if it breaches the security or confidentiality obligations in its arrangements. To date, the Company has not incurred significant costs and has not accrued a liability in the accompanying consolidated financial statements as a result of these obligations.

The Company has entered into service-level agreements with a majority of its customers defining levels of uptime reliability and performance and permitting certain customers to receive credits for paid amounts related to subscription services when the Company fails to meet the defined levels of uptime. In very limited instances, the Company allows customers to early terminate their agreements in the event that the Company fails to meet those

levels as they may constitute a breach of contract. If the customer did terminate, they would receive a refund of prepaid unused subscription fees. To date, the Company has not experienced any significant failures to meet defined levels of uptime reliability and performance as a result of those agreements and, as a result, the Company has not accrued any liabilities related to these agreements in the consolidated financial statements.

## 12. Common Stock and Stockholders' Equity

### *Common Stock*

Holders of Class A and Class B common stock are entitled to one vote per share and 10 votes per share, respectively, and the shares of Class A common stock and Class B common stock are identical, except for voting and conversion rights. Shares of Class B common stock may be converted into Class A common stock at any time at the option of the stockholder on a one-for-one basis, and are automatically converted into Class A common stock upon sale or transfer, subject to certain limited exceptions. Shares of Class A common stock are not convertible.

In September 2019 and June 2020, in connection with the 2023 Notes Partial Repurchases, the Company issued approximately 3.0 million and 1.4 million shares of Class A common stock, respectively. In addition, during the year ended January 31, 2021, the Company issued approximately 0.2 million shares of Class A common stock in connection with 2023 Notes conversion requests and received approximately 0.2 million shares of Class A common stock from the settlement of Note Hedges. See Note 9 for additional details.

As of January 31, 2021, shares of common stock reserved for future issuance were as follows:

	<b>As of January 31, 2021</b>
Options and unvested RSUs outstanding	12,702,220
Available for future stock option and RSU grants	20,574,441
Available for ESPP	4,633,093
	<u>37,909,754</u>

### *Awards Issued as Charitable Contributions*

During the years ended January 31, 2021, 2020 and 2019, the Company issued 42,500, 15,000 and 20,000 shares, respectively, of Class A common stock as charitable contributions and recognized \$9.3 million, \$1.7 million and \$1.0 million, respectively, as general and administrative expense in the consolidated statements of operations.

## 13. Employee Incentive Plans

The Company's equity incentive plans provide for granting stock options, RSUs and restricted stock awards to employees, consultants, officers and directors. In addition, the Company offers an ESPP to eligible employees.

Stock-based compensation expense by award type was as follows (in thousands):

	<b>Year Ended January 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Stock options	\$ 21,371	\$ 21,888	\$ 23,466
RSUs	164,412	94,637	41,637
ESPP	10,373	9,408	7,248
Restricted stock awards	25	590	1,608
Restricted common stock	—	101	2,361
Total	<u>\$ 196,181</u>	<u>\$ 126,624</u>	<u>\$ 76,320</u>

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

	Year Ended January 31,		
	2021	2020	2019
Cost of revenue:			
Subscription	\$ 21,895	\$ 12,923	\$ 7,837
Professional services and other	8,083	7,164	4,983
Research and development	63,270	37,683	22,642
Sales and marketing	53,802	38,077	22,916
General and administrative	49,131	30,777	17,942
Total	<u>\$ 196,181</u>	<u>\$ 126,624</u>	<u>\$ 76,320</u>

### Equity Incentive Plans

The Company has two equity incentive plans: the 2009 Stock Plan (2009 Plan) and the 2017 Equity Incentive Plan (2017 Plan). All shares that remain available for future grants are under the 2017 Plan. As of January 31, 2021, options to purchase 1,074,212 shares of Class A common stock and 7,175,901 shares of Class B common stock remained outstanding.

### Stock Options

Options issued under the Plan generally are exercisable for periods not to exceed ten years and generally vest over four years with 25% vesting after one year and with the remainder vesting monthly thereafter in equal installments. Shares offered under the Plan may be: (i) authorized but unissued shares or (ii) treasury shares.

A summary of the Company's stock option activity and related information was as follows:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of January 31, 2020	12,359,302	\$ 11.82	6.2	\$ 1,436,487
Granted	402,891	145.08		
Exercised	(4,368,683)	10.44		
Canceled	(143,397)	19.23		
Outstanding as of January 31, 2021	<u>8,250,113</u>	\$ 18.93	5.6	\$ 1,980,668
As of January 31, 2021				
Vested and expected to vest	8,250,113	\$ 18.93	5.6	\$ 1,980,668
Vested and exercisable	6,818,491	\$ 9.93	5.2	\$ 1,698,330

The weighted-average grant-date fair value of options granted was \$63.32, \$37.35 and \$17.21 during the years ended January 31, 2021, 2020 and 2019, respectively. The total grant-date fair value of stock options vested was \$19.7 million, \$23.7 million and \$23.8 million during the years ended January 31, 2021, 2020 and 2019, respectively. The intrinsic value of the options exercised, which represents the difference between the fair market value of the Company's common stock on the date of exercise and the exercise price of each option, was \$772.3 million, \$558.6 million and \$309.3 million for the years ended January 31, 2021, 2020 and 2019, respectively.

As of January 31, 2021 and January 31, 2020, there was a total of \$31.1 million and \$28.2 million, respectively, of unrecognized stock-based compensation expense related to options, which was being recognized over a weighted-average period of 1.4 years.

The Company used the Black-Scholes option pricing model to estimate the fair value of stock options granted with the following assumptions:

	Year Ended January 31,		
	2021	2020	2019
Expected volatility	45 %	43 %	40 %
Expected term (in years)	6.3	6.3	6.3
Risk-free interest rate	0.37% - 0.44%	1.55% - 2.27%	2.70 %
Expected dividend yield	—	—	—

### **Restricted Stock Units**

A summary of the Company's RSU activities and related information is as follows:

	Number of RSUs	Weighted- Average Grant Date Fair Value Per Share
Outstanding as of January 31, 2020	4,893,241	\$ 77.99
Granted	2,198,704	173.64
Vested	(2,195,094)	80.28
Forfeited	(444,744)	90.01
Outstanding as of January 31, 2021	4,452,107	\$ 122.90

The Company granted 2,198,704 RSUs with an aggregate fair value of \$381.8 million for the year ended January 31, 2021. As of January 31, 2021, there was \$502.8 million of unrecognized stock-based compensation expense related to unvested RSUs, which is being recognized over a weighted-average period of 2.5 years based on vesting under the award service conditions. The total fair value of RSUs vested during fiscal 2021, 2020 and 2019 was \$410.4 million, \$193.9 million and \$58.7 million, respectively.

### **Employee Stock Purchase Plan**

The ESPP provides for 12-month offering periods beginning June 21 and December 21 of each year, and each offering period consists of up to two six-month purchase periods.

The Company estimated the fair value of ESPP purchase rights using a Black-Scholes option pricing model with the following assumptions:

	Year Ended January 31,		
	2021	2020	2019
Expected volatility	48% - 54%	43% - 59%	39% - 70%
Expected term (in years)	0.5 - 1.0	0.5 - 1.0	0.5 - 1.0
Risk-free interest rate	0.09% - 0.18%	1.53% - 2.05%	2.12% - 2.62%
Expected dividend yield	—	—	—

During the year ended January 31, 2021, the Company's employees purchased 247,142 shares of its Class A common stock under the ESPP. The shares were purchased at a weighted-average purchase price of \$104.84, with proceeds of \$25.9 million. During the year ended January 31, 2020, the Company's employees purchased 322,795 shares of its Class A common stock under the ESPP. The shares were purchased at a weighted-average purchase price of \$58.14 with proceeds of \$18.8 million.

As of January 31, 2021, there was \$10.1 million of unrecognized stock-based compensation expense related to the ESPP that is expected to be recognized over an average vesting period of 0.9 years.

## 14. Income Taxes

The domestic and foreign components of pre-tax loss for the years ended January 31, 2021, 2020 and 2019 were as follows (in thousands):

	Year Ended January 31,		
	2021	2020	2019
Domestic	\$ (282,026)	\$ (220,846)	\$ (128,214)
Foreign	15,835	10,514	2,700
Loss before provision for (benefit from) income taxes	<u>\$ (266,191)</u>	<u>\$ (210,332)</u>	<u>\$ (125,514)</u>

The components of the provision for (benefit from) income taxes for the years ended January 31, 2021, 2020 and 2019 were as follows (in thousands):

	Year Ended January 31,		
	2021	2020	2019
Current:			
Federal	\$ 11	\$ 33	\$ —
State	136	86	61
Foreign	1,294	822	667
Total current provision for income taxes	<u>1,441</u>	<u>941</u>	<u>728</u>
Deferred:			
Federal	51	(518)	(620)
State	5	(406)	(130)
Foreign	(1,356)	(1,436)	5
Total deferred benefit from income taxes	<u>(1,300)</u>	<u>(2,360)</u>	<u>(745)</u>
Total provision for (benefit from) income taxes	<u>\$ 141</u>	<u>\$ (1,419)</u>	<u>\$ (17)</u>

For the tax year ended January 31, 2021, the income tax expense from profitable jurisdictions was partially offset by the excess tax benefits from stock-based compensation in the United Kingdom. For the tax year ended January 31, 2020 the income tax benefit resulted from the release of valuation allowance in the United States in connection with an acquisition and excess tax benefits from stock-based compensation in the United Kingdom. For the tax year ended January 31, 2019, the income tax benefit resulted from the release of valuation allowance in the United States in connection with an acquisition and excess tax benefits from stock-based compensation in the United Kingdom. The income tax expense and benefits in the years ended January 31, 2021, 2020 and 2019 were partially offset by foreign income taxes, state taxes and tax amortization of goodwill.

The following is a reconciliation of the statutory federal income tax rate to the Company's effective tax rate for the years ended January 31, 2021, 2020 and 2019:

	Year Ended January 31,		
	2021	2020	2019
Tax at federal statutory rate	21.0 %	21.0 %	21.0 %
State income taxes, net of federal benefit	4.1	4.0	3.8
Change in valuation allowance	(101.0)	(100.1)	(68.5)
Stock-based compensation	70.2	59.8	45.5
Research and development credits	6.4	18.0	—
Other, net	(0.8)	(2.0)	(1.8)
Effective tax rate	<u>(0.1)%</u>	<u>0.7 %</u>	<u>— %</u>

The tax effects of temporary differences and related deferred tax assets and liabilities as of January 31, 2021 and 2020 were as follows (in thousands):

	As of January 31,	
	2021	2020
Deferred tax assets:		
Net operating loss carryforwards	\$ 607,483	\$ 370,705
Stock-based compensation	18,952	18,680
Deferred revenue	1,144	1,960
Operating lease liabilities	51,702	42,073
Other reserves and accruals	16,586	6,414
Research and development and other credits	57,060	39,918
Disallowed interest	6,091	4,507
Total deferred tax assets	<u>759,018</u>	<u>484,257</u>
Valuation allowance	(555,199)	(361,606)
Total deferred tax assets, net	<u>203,819</u>	<u>122,651</u>
Deferred tax liabilities:		
Convertible debt	(112,547)	(50,963)
Deferred commissions	(38,710)	(27,569)
Capitalized internal-use software costs	(2,691)	(2,248)
Goodwill	(306)	(262)
Operating lease right-of-use assets	(37,522)	(31,165)
Depreciation and amortization	(8,522)	(8,315)
Total deferred tax liabilities	<u>(200,298)</u>	<u>(120,522)</u>
Net deferred tax assets	<u>\$ 3,521</u>	<u>\$ 2,129</u>

As a result of continuing losses, the Company has determined that it is not more likely than not that it will realize the benefits of the U.S. deferred tax assets and, therefore, the Company has recorded a valuation allowance to reduce the carrying value of the U.S. deferred tax assets, net of U.S. deferred tax liabilities, to approximately zero. The U.S. valuation allowance increased by \$193.6 million and \$157.7 million during the years ended January 31, 2021 and 2020, respectively.

As of January 31, 2021, the Company had approximately \$2,390.3 million of federal and \$1,541.9 million of state net operating loss carryforwards available to offset future taxable income. If not used, the federal and state net operating loss carryforwards will begin to expire in 2029 and 2022, respectively. As of January 31, 2021, the Company had approximately \$49.4 million of UK net operating losses which do not expire.

As of January 31, 2021, the Company had federal research and development tax credit carryforwards of \$50.3 million and California research and development tax credit carryforwards of \$33.4 million. The federal research and development credits will start to expire in 2030 while the California research and development credits do not expire. The Company also had California Enterprise Zone credits of \$1.0 million that begin to expire in 2023.

The Company's ability to use the net operating loss and tax credit carryforwards in the future may be subject to substantial restrictions in the event of past or future ownership changes as defined in Section 382 of the Internal Revenue Code and similar state tax laws.

The Company attributes net revenue, costs and expenses to domestic and foreign components based on the terms of its agreements with its subsidiaries. The Company does not provide for federal income taxes on the undistributed earnings of its foreign subsidiaries as such earnings are to be reinvested offshore indefinitely. If the Company repatriated these earnings, the resulting income tax liability would be insignificant. The Company is subject to taxation in the United States and various states and foreign jurisdictions.

On March 27, 2020, the President signed into law the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). The CARES Act provides numerous tax provisions and other stimulus measures, including temporary changes regarding the prior and future use of net operating losses, temporary changes to the prior and future

limitations on interest deductions, temporary suspension of certain payment requirements for the employer portion of Social Security taxes, technical corrections from prior tax legislation for tax depreciation of certain qualified improvement property, and the creation of certain refundable employee retention credits. The Company does not expect there to be a material tax impact on its consolidated financial statements at this time, and will continue to assess the implications of the CARES Act and its continuing developments and interpretations.

A reconciliation of beginning and ending amount of unrecognized tax benefit was as follows (in thousands):

	Year Ended January 31,		
	2021	2020	2019
Gross amount of unrecognized tax benefits as of the beginning of the year	\$ 15,987	\$ 23,931	\$ 11,719
Additions based on tax positions related to a prior year	—	658	1,859
Additions based on tax positions related to current year	7,189	6,866	10,353
Reductions based on tax positions taken in a prior year	(952)	(15,468)	—
Gross amount of unrecognized tax benefits as of the end of the year	<u>\$ 22,224</u>	<u>\$ 15,987</u>	<u>\$ 23,931</u>

The Company is subject to taxation in the U.S. and various other state and foreign jurisdictions. As the Company has net operating loss carryforwards for U.S. federal and state jurisdictions, the statute of limitations is open for all years. For material foreign jurisdictions, the tax years open to examination include the tax years 2016 and forward.

As of January 31, 2021, 2020 and 2019, the Company had unrecognized tax benefits which would not impact the effective tax rate because of the valuation allowance. The Company's policy is to include interest and penalties related to unrecognized tax benefits within the provision for income taxes. The Company did not have any uncertain tax positions as of January 31, 2021 for which it was reasonably possible that the positions will increase or decrease within the next twelve months. As of January 31, 2021 and 2020, the Company had not accrued any interest or penalties related to unrecognized tax benefits.

## 15. 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 (in thousands, except per share data):

	Year Ended January 31,					
	2021		2020		2019	
	Class A	Class B	Class A	Class B	Class A	Class B
Numerator:						
Net loss	<u>\$(248,892)</u>	<u>\$ (17,440)</u>	<u>\$(192,138)</u>	<u>\$ (16,775)</u>	<u>\$(107,926)</u>	<u>\$ (17,571)</u>
Denominator:						
Weighted-average shares outstanding, basic and diluted	<u>118,882</u>	<u>8,330</u>	<u>107,809</u>	<u>9,412</u>	<u>92,452</u>	<u>15,052</u>
Net loss per share, basic and diluted	<u>\$ (2.09)</u>	<u>\$ (2.09)</u>	<u>\$ (1.78)</u>	<u>\$ (1.78)</u>	<u>\$ (1.17)</u>	<u>\$ (1.17)</u>

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 (in thousands):

	Year Ended January 31,		
	2021	2020	2019
Issued and outstanding stock options	8,250	12,359	17,804
Unvested RSUs issued and outstanding	4,452	4,893	4,836
Unvested restricted stock awards issued and outstanding	—	177	388
Unvested shares subject to repurchase	—	5	48
Unvested restricted common stock issued and outstanding	—	—	400
Shares committed under the ESPP	137	253	271
Shares related to 2023 Notes	832	2,494	7,134
Shares subject to warrants related to the issuance of 2023 Notes	1,048	2,494	—
Shares related to 2025 Notes	5,617	5,617	—
Shares related to 2026 Notes	4,820	—	—
	<u>25,156</u>	<u>28,292</u>	<u>30,881</u>

The Company uses the if-converted method for calculating any potential dilutive effect of the conversion options embedded in the Notes on diluted net income per share, if applicable. The conversion options of the 2023, 2025 and 2026 Notes are dilutive in periods of net income on a weighted-average basis using an assumed conversion date equal to the later of the beginning of the reporting period and the date of issuance of the respective Notes. The exercise rights of the Warrants will have a dilutive impact on net income per share of common stock under the treasury-stock method when the average market price per share of the Company's Class A common stock for a given period exceeds the conversion price of \$68.06 per share. During the year ended January 31, 2021, the average price per share of the Company's Class A common stock exceeded the exercise price of the Warrants; however, since the Company is in a net loss position there was no dilutive effect during any period presented.

## 16. Subsequent Events

On March 3, 2021, the Company entered into a definitive agreement to acquire Auth0, an identity management platform, pursuant to the Merger Agreement.

Upon consummation of the transaction contemplated by the Merger Agreement, all outstanding shares of Auth0 capital stock, options, warrants, convertible securities, phantom equity and other outstanding equity interests will be cancelled in exchange for aggregate consideration of \$6.5 billion in the form of shares of Class A common stock of the Company and assumed awards of corresponding Company equity interests, subject to customary purchase price adjustments and certain customary cash payouts in lieu of shares of Company Class A common stock, as provided by the Merger Agreement. The purchase price payable in shares of Class A common stock will be valued at \$276.2147 per share (which price was calculated based on the daily volume-weighted average sales price per share of Company Class A common stock for the 20 trading days ending on February 26, 2021). The per share price of these shares has been fixed as of the Merger Agreement signing date, and the aggregate value of these shares will fluctuate based on changes in our share price between the signing and closing dates.

The proposed transaction is expected to close during the Company's second quarter of fiscal 2022, the quarter ending July 31, 2021. The closing of this transaction is subject to certain customary closing conditions and approvals.

## **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

### **Item 9A. 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 Exchange Act), as of the end of the period covered by this Annual Report on Form 10-K.

Based on this evaluation, our management concluded that, as of January 31, 2021, our disclosure controls and procedures are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In addition, our ability to maintain an effective internal control environment has not been impacted by the COVID-19 pandemic.

#### **Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) of the Exchange Act. Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Our internal control over financial reporting includes policies and procedures that provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of January 31, 2021. In addition, our ability to maintain an effective internal control environment has not been impacted by the COVID-19 pandemic. Our independent registered public accounting firm, Ernst & Young LLP, has issued an audit report with respect to our internal control over financial reporting, which appears in Part II, Item 8 of this Annual Report on Form 10-K, and is incorporated herein by reference.

#### **Changes in Internal Control over Financial Reporting**

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended January 31, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

#### **Inherent Limitations on Effectiveness of Controls**

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

### **Item 9B. Other Information**

Not Applicable.

## **Part III**

### **Item 10. Directors, Executive Officers and Corporate Governance**

The information required by this item is incorporated by reference to our Proxy Statement relating to our 2021 Annual Meeting of Stockholders. The Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended January 31, 2021.

#### **Code of Conduct**

Our board of directors has adopted a code of conduct that applies to all of our employees, officers and directors. The full text of our code of conduct is available on our investor relations website at investor.okta.com under "Corporate Governance." We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding amendments to, or waiver from, a provision of our code of conduct by posting such information on the website address and location specified above.

### **Item 11. Executive Compensation**

The information required by this item is incorporated by reference to our Proxy Statement relating to our 2021 Annual Meeting of Stockholders. The Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended January 31, 2021.

### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information required by this item is incorporated by reference to our Proxy Statement relating to our 2021 Annual Meeting of Stockholders. The Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended January 31, 2021.

### **Item 13. Certain Relationships and Related Party Transactions, and Director Independence**

The information required by this item is incorporated by reference to our Proxy Statement relating to our 2021 Annual Meeting of Stockholders. The Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended January 31, 2021.

### **Item 14. Principal Accountant Fees and Services**

The information required by this item is incorporated by reference to our Proxy Statement relating to our 2021 Annual Meeting of Stockholders. The Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended January 31, 2021.

## **Part IV**

### **Item 15. Exhibits, Financial Statement Schedules**

(a) The following documents are filed as part of this report:

1. Financial Statements

See Index to Financial Statements under Part II, Item 8 of this Annual Report on Form 10-K.

2. Financial Statement Schedules

Schedules not listed above have been omitted because they are not required, not applicable, or the required information is otherwise included.

3. Exhibits

See the Exhibit Index immediately following the signature page of this Annual Report on Form 10-K.

### **Item 16. Form 10-K Summary**

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

### OKTA, INC.

March 4, 2021

/s/ William E. Losch  
\_\_\_\_\_  
William E. Losch  
*Chief Financial Officer*

March 4, 2021

/s/ Christopher K. Kramer  
\_\_\_\_\_  
Christopher K. Kramer  
*Chief Accounting Officer*

## POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Todd McKinnon and Jonathan T. Runyan, and each of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any amendments to this Annual Report on Form 10-K and to file the same, with Exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or substitute or substitutes may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

<b>Signature</b>	<b>Title</b>	<b>Date</b>
<u>/s/ Todd McKinnon</u> Todd McKinnon	Chief Executive Officer and Director (Principal Executive Officer)	March 4, 2021
<u>/s/ William E. Losch</u> William E. Losch	Chief Financial Officer (Principal Financial Officer)	March 4, 2021
<u>/s/ Christopher K. Kramer</u> Christopher K. Kramer	Chief Accounting Officer (Principal Accounting Officer)	March 4, 2021
<u>/s/ J. Frederic Kerrest</u> J. Frederic Kerrest	Executive Vice Chairperson, Chief Operating Officer and Director	March 4, 2021
<u>/s/ Shellye Archambeau</u> Shellye Archambeau	Director	March 4, 2021
<u>/s/ Robert L. Dixon, Jr.</u> Robert L. Dixon, Jr.	Director	March 4, 2021
<u>/s/ Patrick Grady</u> Patrick Grady	Director	March 4, 2021
<u>/s/ Ben Horowitz</u> Ben Horowitz	Director	March 4, 2021
<u>/s/ Michael Kourey</u> Michael Kourey	Director	March 4, 2021
<u>/s/ Rebecca Saeger</u> Rebecca Saeger	Director	March 4, 2021
<u>/s/ Michael Stankey</u> Michael Stankey	Director	March 4, 2021
<u>/s/ Michelle Wilson</u> Michelle Wilson	Director	March 4, 2021

## 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
4.1	Form of Class A Common Stock Certificate.	Exhibit 4.1 to Form S-1 filed on March 13, 2017
4.2	Indenture, dated as of February 27, 2018, between Okta, Inc. and Wilmington Trust, National Association, as trustee.	Exhibit 4.1 to Form 8-K filed on February 27, 2018
4.3	Form of 0.25% Convertible Senior Notes due 2023.	Exhibit 4.1 to Form 8-K filed on February 27, 2018
4.4	Indenture, dated as of September 9, 2019, between Okta, Inc. and Wilmington Trust, National Association, as trustee.	Exhibit 4.1 to Form 8-K filed on September 10, 2019
4.5	Form of 0.125% Convertible Senior Notes due 2025.	Exhibit 4.1 to Form 8-K filed on September 10, 2019
4.6	Indenture, dated as of June 12, 2020, between Okta, Inc. and Wilmington Trust, National Association, as trustee.	Exhibit 4.1 to Form 8-K filed on June 15, 2020
4.7	Form of 0.375% Convertible Senior Notes due 2026.	Exhibit 4.1 to Form 8-K filed on June 15, 2020
4.8	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934, as amended.	Exhibit 4.6 to Form 10-K filed on March 6, 2020
10.1#	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers.	Exhibit 10.1 to Form S-1 filed on March 13, 2017
10.2#	Amended and Restated 2009 Stock Plan, as amended, and forms of agreements thereunder.	Exhibit 10.2 to Form S-1 filed on March 13, 2017
10.3#	2017 Equity Incentive Plan, and forms of agreements thereunder.	Exhibit 10.3 to Form S-1A filed on March 27, 2017
10.4#	2017 Employee Stock Purchase Plan.	Exhibit 10.4 to Form S-1A filed on March 27, 2017
10.5#	Amended and Restated Senior Executive Incentive Bonus Plan.	Exhibit 99.2 to Form 8-K filed on March 7, 2019
10.6#	Executive Severance Plan.	Exhibit 10.8 to Form S-1 filed on March 13, 2017
10.7#	Non-Employee Director Compensation Policy.	Exhibit 10.9 to Form S-1 filed on March 13, 2017
10.8#	Form of Offer Letter between the Registrant and each of its executive officers.	Exhibit 10.10 to Form S-1 filed on March 13, 2017

Exhibit Number	Exhibit Description	Incorporated by Reference from Form
10.9	Office Lease Agreement dated December 2, 2017 between the Registrant and KR 100 First Street Owner, LLC.	Exhibit 10.1 to Form 8-K filed on December 6, 2017
10.9.1	Amendment dated August 29, 2019 to Office Lease Agreement dated December 2, 2017 between the Registrant and KR 100 First Street Owner, LLC.	Exhibit 10.2 to Form 10-Q filed on December 6, 2019
10.9.2	Second Amendment dated October 14, 2020 to Office Lease Agreement dated December 2, 2017 between the Registrant and KR 100 First Street Owner, LLC.	Filed herewith
10.10	Form of Call Option Transaction Confirmation.	Exhibit 10.1 to Form 8-K filed on February 27, 2018
10.11	Form of Warrant Confirmation.	Exhibit 10.2 to Form 8-K filed on February 27, 2018
10.12	Form of Capped Call Transaction Confirmation.	Exhibit 10.1 to Form 8-K filed on September 10, 2019
10.13	Form of Capped Call Transaction Confirmation.	Exhibit 10.1 to Form 8-K filed on June 15, 2020
21.1	Subsidiaries of the Registrant.	Filed herewith
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.	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	Filed herewith
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith
101.PRE	XBRL Taxonomy Extension Presentation 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

\* The certifications furnished in Exhibit 32.1 hereto are deemed to accompany this Annual Report on Form 10-K 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.

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

**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 Annual Report on Form 10-K 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: March 4, 2021

/s/ Todd McKinnon

Todd McKinnon

Chief Executive Officer

*(Principal Executive Officer)*

**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, William E. Losch, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: March 4, 2021

/s/ William E. Losch

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William E. Losch

Chief Financial Officer

*(Principal Financial Officer)*

**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 William E. Losch, Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Annual Report on Form 10-K for the year ended January 31, 2021, 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: March 4, 2021

/s/ Todd McKinnon

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Todd McKinnon

Chief Executive Officer

*(Principal Executive Officer)*

/s/ William E. Losch

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William E. Losch

Chief Financial Officer

*(Principal Financial Officer)*

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## ***Corporate Information***

### ***Board of Directors:***

Todd McKinnon  
Chairperson of the Board of Directors,  
Chief Executive Officer & Director

J. Frederic Kerrest  
Executive Vice Chairperson of the Board of  
Directors, Chief Operating Officer & Director

Shellye Archambeau  
Former Chief Executive Officer  
MetricStream, Inc.

Robert Dixon, Jr.  
Former Global Chief Information Officer &  
Senior Vice President  
PepsiCo, Inc.

Patrick Grady  
Managing Member  
Sequoia Capital

Ben Horowitz  
General Partner  
Andreessen Horowitz

Rebecca Saeger  
Former Chief Marketing Officer  
Charles Schwab & Co., Inc.

Michael Stankey  
Vice Chairman  
Workday, Inc.

Michelle Wilson  
Former Senior Vice President & General Counsel  
Amazon.com Inc.

### ***Executive Officers:***

Todd McKinnon  
Chairperson of the Board of Directors,  
Chief Executive Officer & Director

J. Frederic Kerrest  
Executive Vice Chairperson of the Board of  
Directors, Chief Operating Officer & Director

Michael Kourey  
Chief Financial Officer

Christopher Kramer  
Chief Accounting Officer

Jonathan T. Runyan  
General Counsel & Corporate Secretary

Susan St. Ledger  
President, Worldwide Field Operations

### ***Corporate Headquarters:***

Okta, Inc.  
100 First Street, Suite 600  
San Francisco, California 94105

### ***Stock Transfer Agent:***

Computershare  
C/O: Shareholder Services  
462 South 4th Street, Suite 1600  
Louisville, Kentucky 40202  
Toll Free Phone: (800) 736-3001  
International: +1 (781) 575-3100

### ***Investor Relations:***

Website: [investor.okta.com](http://investor.okta.com)  
Email: [investor@okta.com](mailto:investor@okta.com)

### ***Stock Exchange Listing:***

Nasdaq  
Symbol: OKTA

