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Earnings Call

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Presentation

Dave Gennarelli
Senior Vice President of Investor Relations

Hi, everyone. Welcome to Okta's First Quarter Fiscal 2026 Earnings Webcast. I'm Dave Gennarelli, Senior Vice President of Investor Relations at Okta. Presenting in today's meeting will be Todd McKinnon, our Chief Executive Officer and Co-Founder; and Brett Tighe, our Chief Financial Officer; Eric Kelleher, our President and Chief Operating Officer, will join the Q&A portion of the meeting. At around the same time that the earnings press release hit the wire, we posted supplemental commentary to our IR website.

Today's meeting will include forward-looking statements pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including, but not limited to, statements regarding our financial outlook and market positioning. Forward-looking statements involve known and unknown risks and uncertainties that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. Forward-looking statements represent our management's beliefs and assumptions only as of the date made. Information on factors that could affect our financial results is included in our filings with the SEC from time to time, including the section titled Risk Factors in our previously filed Form 10-K.

In addition, during today's meeting, we will discuss non-GAAP financial measures. Though we may not state it explicitly during the meeting, all references to profitability are non-GAAP. These non-GAAP financial measures are in addition to and not a substitute for or superior to measures of financial performance prepared in accordance with GAAP. A reconciliation between GAAP and non-GAAP financial measures and a discussion of the limitations of using non-GAAP measures versus their closest GAAP equivalents are available in our earnings release.

You can also find more detailed information in our supplemental financial materials, which include trended financial statements and key metrics posted on our Investor Relations website. In today's meeting, we will quote a number of numeric growth changes as we discuss our financial performance. And unless otherwise noted, each such reference represents a year-over-year comparison. And now I'd like to turn the meeting over to Todd McKinnon. Todd?

Todd McKinnon
Co-Founder, Chairman & CEO

Thanks, Dave, and thank you, everyone, for joining us this afternoon. We had a solid start to FY '26, highlighted by continued strength with large customers, Auth0, new product contribution, strong cash flow and record profitability. Brett will cover more of the Q1 financial highlights, and I'm going to cover product innovation, our recent Showcase event and the latest with the Okta Secure Identity Commitment.

New products such as Okta Identity Governance, Okta Privileged Access, Okta Device Access, Fine Grained Authorization, Identity Security Posture Management and Identity Threat Protection with Okta AI had another quarter of strong contribution. Our combined governance portfolio of Okta Identity Governance, Lifecycle Management and Workflows has grown substantially over the past few years.

With strong adoption of our governance products, Okta is becoming even more valuable and integrated into our customers' IT infrastructure and security posture. This is evidenced by the massive growth we've experienced in workflow executions, which have increased nearly 400% over the past 3 years to nearly [$40 billion] in March alone.

OIG has been a tremendous success to date. We are hearing from partners and industry analysts that OIG is now ready to hit mainstream adoption, especially with recently delivered key capabilities like Separation of Duties and On-prem Connector. These new capabilities helped with great customer wins in Q1, like the Global 2000 insurance company noted in our posted commentary.

As cyber threats evolve, identity remains the first line of defense. That's why innovation at Okta never stops. In early April, we hosted a Showcase, which is our biggest event outside of Oktane to highlight product innovation. Our newest advancements help organizations protect their employees, customers and AI systems. The key themes that Showcase this year were: one, how Okta is protecting nonhuman identities or NHIs; and two, how Auth0 is helping developers build, secure AI agents. NHIs have been around for a long time. What's new is how the recent boom in AI agents has resulted in exponential growth in NHIs. NHIs include service accounts, shared accounts, machines and tokens. NHIs often operate outside traditional identity governance frameworks and can leave organizations vulnerable to security risks.

In fact, last year, only 15% of organizations said they are confident in their ability to secure NHIs. Okta addresses this problem with Identity Security Posture Management and Okta Privileged Access. By combining these 2 products, customers can discover, secure and manage NHIs with an end-to-end secure identity fabric to secure both human identities and NHIs across a single system. This integrated approach protects non-federated and privileged identities, ensuring AI-driven automation and machine-to-machine interactions remain governed under Zero Trust policies while continuously monitoring NHI risks and vulnerabilities across the enterprise.

On the developer side, customers have another compelling reason to adopt Auth0. Auth for GenAI addresses the problem of AI agents creating unsecured NHIs by enabling developers to integrate secure identity into their Gen AI applications. This helps ensure that AI agents have built-in authentication, fine grained authorization, async workflows and secure API access. Auth for GenAI secures AI agents at every step without slowing them down, providing developers with the trusted tools and flexibility they need.

The product has had a successful developer preview, and we expect the GA launch this summer. To get all the details of the announcements coming out of Showcase, we encourage you to review the comprehensive summary available on the Investor Relations website.

We also continue to elevate the industry with the Okta Secure Identity Commitment, which is our work to lead the fight against identity-based cyberattacks. In support of this commitment, we're now highlighting the great security work already being done by Okta's threat intelligence team and making their insights more actionable. With thousands of customers across a multitude of diverse industries, Okta is uniquely able to analyze threat activity. I encourage you to check out a blog post we shared that highlighted Okta threat intelligence's in-depth research on how adversaries are conducting IT contracting scams using AI and our recommendations to help mitigate these threats.

To wrap things up, we're pleased with the start of the fiscal year, and we're excited about the future with our growing portfolio of modern identity solutions. More and more, customers are looking to consolidate their disparate and ineffective identity systems, and Okta is there to meet them with the most comprehensive and unified identity security platform in the market today.

As always, I want to thank the entire Okta team for their tireless effort and also thank our loyal customers and partners who put their trust in us every day. Now here's Brett to cover the financial commentary and talk about how we're positioned for long-term profitable growth.

Brett Tighe
Chief Financial Officer

Thanks, Todd, and thank you, everyone, for joining us today. We posted solid Q1 results with another quarter of exceptional cash flow and record operating profitability and profit margin. My commentary will provide insights to our Q1 financial performance and then move into our outlook for Q2 and FY '26.

We entered the first quarter with the previously announced realignment of our go-to-market team, which further specialized our sales force into Okta sellers and Auth0 sellers. While it's still too early to judge the overall success of this realignment, we're encouraged by some of the early signals in the Q1 results, in particular, Auth0 performed quite well following a record Q4.

We were also pleased to see pipeline strengthening throughout March and April. We remain confident that increased go-to-market specialization will yield long-term benefits for Okta and our customers. Adding to our confidence is the recent performance we're seeing in the parts of our business that had already been specialized. At the beginning of last year, we moved the team focused on the U.S. SMB market to a hunter-farmer model. That team performed well in Q1 and underscores how specialization can drive improvements over time. Another area that has been specialized for some time is the U.S. public sector vertical, which has been an area of strength over the last few years. The strength has been a direct result of Okta's strategic commitment and investments in the U.S. public sector. Our public sector team had a strong Q1 as 2 of our top 3 and 4 of our top 10 deals were in the public sector, including the federal deal we called out in our posted commentary.

Clearly, there is a lot going on in the U.S. federal vertical, and we are monitoring the developing situation closely. While we anticipate some near-term uncertainty in our federal business, we remain highly confident in the long-term public sector opportunity. That's because Okta delivers the efficiency and security benefits that government agencies require and our FedRAMP High and IL4 certifications distinguish Okta from the field.

Now let's turn to our business outlook for Q2 and FY '26. We continue to take a prudent approach to forward guidance that factors in our go-to-market specialization that was rolled out in Q1 of FY '26. Additionally, we're now factoring in potential risks related to the uncertain economic environment for the remainder of FY '26.

For the second quarter of FY '26, we expect total revenue growth of 10%, current RPO growth of 10% to 11%, non-GAAP operating margin of 26% and free cash flow margin of approximately 19%. For the full year FY '26, we expect total revenue growth of 9% to 10%, non-GAAP operating margin of 25% and a free cash flow margin of approximately 27%.

To wrap things up, we remain focused on reigniting growth and driving spend efficiencies and cash flow. We've demonstrated exceptional leverage in our model and remain positioned to deliver profitable growth for years to come. We're excited about the adoption of new products, the rapid pace of innovation and are confident that Okta is positioned to lead the identity industry.
With that, I'll turn it back to Dave for Q&A. Dave?

Question and Answer

Dave Gennarelli
Senior Vice President of Investor Relations

Thanks, Brett. I see there are quite a few hands raised already, and I'll take them in order until the top of the hour. In the interest of time, please limit yourself to one question. And with that, we'll go to the first question from Brad Zelnick, followed by Eric Heath.

Brad Alan Zelnick
Deutsche Bank AG, Research Division

And Q1 is the beginning of the year. So always interesting dynamics. Maybe just to kick it off, you've layered in this additional conservatism into your guide. What is it that you saw in the quarter? Now you have 2 layers of conservatism for the specialized go-to-market adding in what your thoughts are on the macro. Can you talk more about what the combination of those 2 factors, how much they impacted Q1 and how to think about them going forward?

Todd McKinnon
Co-Founder, Chairman & CEO

Yes. I'll start. Nice to see you, Brad. I think the Q1 -- we're very happy with Q1. We're really on track for the year, and we made a lot of great progress in the quarter. I think there's the qualitative metrics that we've talked about so far on the call.

But then there's just the conversations we're having with customers about how important what we do is to them and how much they're investing in everything from the traditional things we've helped them with cloud transformation and of course, security.

But now with what's going on with all these AI projects and moving from POCs to production and how we can help with that and how we can help them build Auth for GenAI applications. And so it's all very, very exciting. I think we can talk about the guidance and the forward look and some of our thoughts there. But it's kind of -- the base and the foundation is a company that's really on track for the year and very optimistic about the future.

Brett Tighe
Chief Financial Officer

Yes, Brad, I can just add there on the guidance. In terms of -- you were asking, did we see the macro in Q1 versus how we're thinking about in the future? I think it was one of your questions.

In terms of the macro side of things, we did not see any impact in Q1. Relative to what the macro we were seeing for the prior quarters, you've heard us talk a lot about that over the last couple of years. But incrementally different than what it has been, we have not seen that.

What we are putting in is thinking about it going forward just because we -- it's just a feeling in the environment, if you will, Brad. I don't have a lot of quants to like back up what I'm saying. It's more based on customer conversations, reading the news, talking to the sales teams. It's just it's out there, and we're just -- the tone is -- feels like it's changed. We're not saying it's absolutely certain, but what we're saying is that we're putting it into the guidance.

But to be very clear, as we talked about a couple of quarters ago, and I've said every quarter since, which is the guidance philosophy has changed. We do not have as much conservatism in there. Regardless that we did add a new factor in there, it doesn't mean that we've all of a sudden gone back to the old model. There is still less conservatism in there. Now we're at -- like I said, we're adding in a little bit for macro. But the go-to-market specialization factor is the same as what it was at the beginning of Q1 because you heard what Todd just talked about is we feel like it's -- we're on track, and we're headed in the right direction, and we feel good with where we are right now.

Dave Gennarelli
Senior Vice President of Investor Relations

Next up is Eric Heath, followed by Jonathan Ho.

Eric Michael Heath
KeyBanc Capital Markets Inc., Research Division

Just to maybe follow on that line of questioning. I mean, cRPO subseasonally -- subseasonal growth in 1Q here a little bit. And we've heard some other security peers talk about April being a very challenging month in particular, maybe getting better in May. So is there anything that might have been a little bit soft in the quarter? I saw international decelerate a little bit more than the U.S. So just anything that might have been on the margin a little bit softer than you might expect?

Todd McKinnon
Co-Founder, Chairman & CEO

We had a -- there was no softness in April. It was very predictable. And this is coming off the Q4 where we had a real blowout Q4, and we ran the table. And even despite that, we had solid performance in Q1, including through April. So we didn't see that at all. I heard some of those calls and have heard that chatter as well about the industry is seeing some softness in April. We didn't see that.

So when you look at the numbers, it was a solid start to the year. I think our -- when Brett talks about the conservatism and us factoring in uncertainty in the macro going forward, it's definitely a going-forward thing.

Dave Gennarelli
Senior Vice President of Investor Relations

Okay. We'll go to Jonathan Ho, followed by Shrenik Kothari.

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

When we look at the go-to-market specialization, where are we in that process? And can you maybe share with us what some of your most impactful learnings have been and maybe the progress that's been seen on that business side?

Todd McKinnon
Co-Founder, Chairman & CEO

Thanks, Jonathan. Yes, we're off to a solid start. As you know, in our business in Q1, there's normally a lot of territory replanning and reassignment and so forth. And as I've mentioned before, this year with our shift to specialization for sellers for the Auth0 platform and the Okta platform, we had incrementally more change to that normal motion as we do every year.

And so with that comes, the costs have changed to some degree. But Q1 was a solid start. We saw a very strong performance on the Auth0 side, which you would expect with more specialization. And we've seen strong pipeline build throughout the quarter as well. And even if you look at the last -- first few weeks of Q2, those trends continue.

So we're optimistic, but it's -- if you look at the overall year, it's a relatively small part of the year. So we have to keep executing well. And the strength in new products on the Okta side is -- the growth there is actually very encouraging as well. We mentioned the success of the Governance business and Privileged Access and Device Access and Identity Threat Protection. There's quite a portfolio of identity security tools there. And that sales team on the Okta side is really digging into that and able to, I think, have broader conversations with customers and help really convey how we can help everything from nonhuman identities and AI workloads all the way to a lot of companies still the basics of passwordless phishing-resistant authentication for people is still something they're invested in, so we can help them across that broad spectrum.

Eric Kelleher
President & COO

Jonathan, you asked also some lessons learned through this. I think a couple of things to add to Todd's commentary. One is we've learned specialization works. As Brett talked about in his opening comments, this is really our third wave of go-to-market specialization, our first being pub sec from several years back. And you've heard us talk in recent quarters about the success we've had in public sector overall with that team. It's been a very high-performing team for us.

Last year, we rolled out hunter-farmer for our U.S. commercial business as well. And we've talked about how pleased we were with how we closed out the year with the results of that change.

And the third thing we've learned is -- and now we're doing the Okta and Auth0 platform specialization. So we know it works. We're confident it works. We also have learned that it takes time. And to Todd's commentary a moment ago, we are just finishing up our first quarter. We had -- February is the time when we re-carved territories and reassign -- we can now speed up enablement because we're able to focus our reps on individual buyers and focus them on individual platforms. And so we've executed well in the quarter. We're on track, as Brett and Todd had mentioned, and we've got 3 quarters ahead of us. So we're not sitting idle. We've got a lot more work to do, but we're very confident on the strategy we're on.

Dave Gennarelli
Senior Vice President of Investor Relations

Thanks, Eric. Next up, we'll go to Shrenik Kothari, followed by Andy Nowinski.

Shrenik Kothari
Robert W. Baird & Co. Incorporated, Research Division

So just given your previous commentary around the seat headwinds abating, which implies easier second half comps, just how should we interpret the embedded kind of seat expansion and recovery curve going into second half? And just what is this kind of guidance conservatively assuming on that front? Are there any kind of embedded assumptions around kind of new business? Recovery potentially being offset because of any macro concerns you have, which is -- you're not seeing it yet, but anything that you are embedding there?

Brett Tighe
Chief Financial Officer

Yes, absolutely. So Shrenik, just a refresher for everybody on the call because I know you know this, which is, yes, we talked about NRR, having those headwinds. You talked about seat upsells at renewal or during the midterm -- mid-contract, right, that being facing a little bit of a headwind. We think that still lasts through the first half of FY '26.

Now look, if the economy does turn one direction or the other, maybe it goes a little faster one way or the other, right? I mean, it's definitely a potential for it to impact. I think what you're really kind of asking about is really NRR and how that's going to trend. Right now, we think it's going to travel in this range, plus or minus a little bit from here. But like I said, if the macro does turn negative for us, there is a potential that does hit that as well. So we don't have a specific number in our guidance for you, but it is embedded in there. Hopeful that answers your question.

Dave Gennarelli
Senior Vice President of Investor Relations

Next up, Andy Nowinski, followed by Matt Hedberg.

Andrew James Nowinski
Wells Fargo Securities, LLC, Research Division

Getting a lot of questions on cRPO. So I just -- your cRPO guidance for Q2 suggests a sequential decline for the second consecutive quarter, which has never happened before. And I know you're factoring in some uncertainty for the macro. But given some of the historical results we've seen when Okta has grown your cRPO sequentially in Q1 and Q2 when the macro has been much, much worse with whether it's COVID or massive inflation, it seems like the macro is certainly better than those periods and yet you're looking for this sort of sequential decline again for the second consecutive quarter. So I'm wondering, is there anything you can just give us -- was there any sort of pull forward that happened in Q4? Or was there any other factors that might make this period look a little bit different from what we've seen over the last 3 to 4 years?

Brett Tighe
Chief Financial Officer

Yes, I would say that probably the one thing relative to the period you just mentioned, we were growing at a faster clip than that than we are today, right, based on the guidance. But the one thing I would also caution everyone against or at least maybe give you some advice around how to model cRPO. You've heard me talk about current RPO coverage ratio, right, on the annual -- in an annual term, right? You've heard me talk about it last quarter, the quarter before that.

Well, if you bite-size chunk that down into quarters, what you'll notice is that you'll see a trend that reveals itself. So when we gave you the guidance for subscription revenue last quarter, you probably would have seen this decline or at least somewhere in this range of $2.2 billion in terms of a current RPO expectation.

To be very specific, what's the math that I'm doing because I know you guys are going to ask these questions. Look at current RPO and then look at the subscription revenue in the very next quarter, divide the subscription revenue divided by the total -- the current RPO number, and you'll see what I'm talking about. And you'll see if you applied FY '24 seasonality, you apply FY '25 seasonality, this is roughly the number that should have been kicked out, actually probably would have kicked out a little bit lower number than the $2.205 billion that we've given you here today.

So it's just a -- it's fundamentally what current RPO does, right? We know it's highly correlated between 1 quarter -- between subscription revenue and the total value. So you just really need to take those factors into account when you're thinking about how to model current RPO.

Dave Gennarelli
Senior Vice President of Investor Relations

Let's go to Matt Hedberg, followed by Brian Essex.

Matthew George Hedberg
RBC Capital Markets, Research Division

I wanted to double-click back on the go-to-market, the specialization. It sounds like you guys are happy with the results there. And Todd, you mentioned OIG a number of times on the call. I'm curious, in this Q1, have you experimented with some additional bundles to kind of drive cross-sell? I mean we're hearing about more of that in our checks. Just kind of curious on how you kind of thought about that for Q1 and how that might benefit the remainder of the year.

Todd McKinnon
Co-Founder, Chairman & CEO

Yes. We have what we call suite-based pricing for the Okta platform now. And we introduced that -- Q1 is the first quarter of that. And again, we're seeing positive results there with people wanting to buy multiple products in basically good, better, best configurations. The best configuration has all the products and the first -- the initial good suite has just some of the basic products.

So we're seeing that motion. It's made good progress in Q1, but we still think it has a lot to, run because we're positioned well in terms of the market here. We're the only independent neutral identity platform that has this broad array of products across governance, privileged, threat protection, device access, access management. So, we're very excited about that bundle opportunity.

And also, when I talk to customers, they want -- customers are picking the strategic point of consolidation. So they're looking at their landscape and saying, we can't consolidate everything, but we want to consolidate at the right points. And our pitch to them, which is resonating, which is you should consolidate around identity, and make sure it's independent neutral, but you can take costs out of the business, you can get multiple capabilities from one vendor, and you're not going to forgo choice. You're not going to be locked into a certain ecosystem, a certain cloud environment, a certain collaboration environment, even a certain set of security tools. You get choice around the identity, but you still get those benefits of consolidation, and that's our suites-based pricing that was the motivation behind that.

Brett Tighe
Chief Financial Officer

Yes. And I would just add a good data point for that it was working. Actually, in Q4, Matt, the biggest deal we did was a Workforce suites deal.

Dave Gennarelli
Senior Vice President of Investor Relations

Okay. Next, we'll go to Brian Essex, followed by Gabriela Borges.

Brian Lee Essex
JPMorgan Chase & Co, Research Division

I guess, Todd, for you on the developer side, curious to see if you're beginning to see demand for OAuth for MCP authentication. And how should we think about the way that Okta may be levered to agentic demand there?

Todd McKinnon
Co-Founder, Chairman & CEO

Yes. It's super exciting. I mean it's almost -- you hear it all the time, all the super exciting developments in AI. And we have our Auth for GenAI capability, which you can think about it as a lot of very strategic additions to the Auth0 platform that are very purpose-built for someone building AI agents and agentic workflows. That's Auth for GenAI, and that's in developer preview now, and that's going to go generally available very shortly here. And we're excited about that. It's basically going to mean there's more reasons to buy Auth0 and more reasons to buy more of Auth0 in terms of monthly active users there.

Now the MCP is a big deal, as you all know. And the way I think about it is it's basically a way to -- it's almost like a new Internet. It's a new way to communicate with tools and technology in a way that these LLMs and these emerging set of browsers and user agents on the AI Internet can use all these resources. And that's very exciting.

People don't -- people forget that if you look at the internals of the web, HTTP, the tag for a browser is actually called a user agent and it uses HTTP to connect to web resources. Well, MCP could be a new kind of Internet where the clients are actually AI agents, not user agents and they can talk to these MCP servers.

So it's very exciting from a shifting of the industry and a shifting the capabilities of what these kinds of software systems could do. But it's also very early. We're talking about a protocol that was announced, I think, 6 weeks ago. And everyone's running around, adding MCP servers to their capabilities and developers are experimenting with what this means. We're very excited about the ability to work with the standards bodies and the community to add actual OAuth to the MCP, so authentication and OAuth protocol to the MCP protocol and handshake there. That's a very exciting specific example.

But the main takeaway for the group here is that it's very exciting. This layer of software is a huge opportunity, but it's also very early, and we're working hard to play a big part of that and help the industry and help our customers take advantage of all these capabilities. And the customers are excited about it too. It's not just vendors, it's everyone I talk to from Washington to Europe to New York. Everyone is very excited about what can happen here and how important identity is in this model, and we're going to work hard to make sure we're a big part of that.

Brian Lee Essex
JPMorgan Chase & Co, Research Division

Any indications on pricing? Is it a volume like per agent-based pricing model?

Todd McKinnon
Co-Founder, Chairman & CEO

Yes. So specifically Auth for GenAI is a usage-based pricing model. So it's the number of requests to Auth0. So it's monetized in a similar way to the way Auth0 is now. The way MCP will be monetized and how -- if we add product capabilities to extend what an authentication handshake is to an MCP server, that's -- we haven't built that yet, and we haven't released that yet. So that will be TBD there. We'll be talking about that more later this year. But Auth for GenAI is monetized in the normal Auth0 pricing model.

Dave Gennarelli
Senior Vice President of Investor Relations

Next question from Gabriela Borges, followed by Saket Kalia.

Gabriela Borges
Goldman Sachs Group, Inc., Research Division

Eric and Brett, I'm wondering if there is a way to think about to what extent some of the cross-sell can impact the growth algorithm going forward. So I guess, did you see a negative impact in 1Q in productivity from the go-to-market changes? And then going forward, how do you think about when we would start to see go-to-market changes positively contributing to the growth algorithm, NRR in particular? And are we at the point where we can think about this from productivity lens? Or how do you think about it from a productivity lens in terms of benchmarking and where productivity is going?

Brett Tighe
Chief Financial Officer

I'll take a crack and then Eric can fill in where leave something out. So from an overall Q1 perspective, one of the reasons why we're saying we're on track, not just looking at all the quantitative numbers. But also if you look at the amount of change in the field, for Q1, there was -- from further specializing the field, from a number of reps, there's more reps being specialized than there was last Q1. And if you look at a lot of the stats, some of the stats you just mentioned, they're as good or better than they were last Q1. So that is a really good sign. Because if you changed more in Q1 than you did last quarter and the numbers are fairly similar, that's a really good sign.

In terms of your question around additive or having upsell be additive to NRR as a result of specialization, that's one of the reasons we're doing specialization because we know that the product portfolios are so deep that is hard for someone to be a generalist across the entire portfolio that we want to give them the opportunity to focus and be able to spend more time on a specific product, which then should, in the long run, make them better at selling that product, which then in the long run should be a better upside to NRR.

These changes that we're making are not about just Q1 or Q2, they're about setting us up to execute in whatever macro economy presents itself. So there's a lot of reasons to do specialization, and it's just more signs of how we're feeling confident and excited about the future given the changes that we've made here today or made in Q1.

Eric Kelleher
President & COO

And I would agree with Brett's comments. What I would add to that is it's also a win for our customers as our customers now have the opportunity to work with go-to-market teams that are really focused on the platform that's relevant to those customers.

So to your question of cross-sell and upsell, we are confident that with focus on the platform, our individual sellers and our presales teams and our technical account managers will be able to go deeper on the specific capabilities and learn more about them faster. And that's particularly important as we have in recent years, increased our pace of product innovation.

So just on the Okta platform in recent quarters, you've heard us talk about Identity Threat Protection with Okta AI, Identity Security Posture Management, Okta Identity Governance, Okta Privileged Access. We have a whole host of new capabilities that we're bringing to market. And our sellers need to stay abreast of these changes so that they can help our customers stay abreast of these changes and understand what new value that we can provide for them.

And then we have a very parallel opportunity on the Auth0 side. Todd just talked about Auth for GenAI, and we just announced that in our Showcase event last month. So we believe specialization is going to help us move faster. It will help us stay focused. It will accelerate our enablement for these teams. And ultimately, it will help us provide a better experience for our customers to get more value with us faster as well.

Brett Tighe
Chief Financial Officer

Yes, I think I would -- Eric, maybe think something, which is focus works, just like what Eric said earlier, focus works. A good example of that in the hunter-farmer regions that Eric talked about earlier, we had a really nice new business -- hunter, new business quarter. Q1, we had a really nice new business quarter.

The majority of the top 10 deals in Q1 were new business. So we've got like -- we feel like the focus is really making -- is going to make a difference. It's making a difference in areas that have been specialized already, but we think it's going to make a difference in the long run. So that's why you hear the positivity coming out of us.

Todd McKinnon
Co-Founder, Chairman & CEO

Yes. Another key positive trend is rep tenure and rep attrition. We're very pleased with the way that's trending, which is something we talked about over the years as a real health indicator. And so I think when you look at why we're saying that we're on track and we're optimistic about the quarters ahead, that's a key data point as well.

Dave Gennarelli
Senior Vice President of Investor Relations

Next question from Saket, followed by Gray Powell.

Saket Kalia
Barclays Bank PLC, Research Division

Todd, maybe for you just on that last line of questioning. Can you just talk a little bit about the new logo pipeline for the rest of the year, particularly in the Workforce business? And maybe relatedly, how you feel competitively there as you offer more of a platform?

Todd McKinnon
Co-Founder, Chairman & CEO

I feel very optimistic and positive about both of those points competitively and new logos. And that's because we talk a lot about this idea of a platform sale and how much revenue we're going to drive from new products like Governance, which is over $400 million now, Privileged Access, which is ramping nicely, Identity Security Posture Management, which has awesome capabilities. So we talk about it as like this collective thing, and we talk about the suites and pricing.

But also all these new products are a great point way to land new customers. The amount of interest and the conversations we're having around Identity Security Posture Management is incredible. This product is qualitatively different than anything we've ever had. It actually scans a customer's environments and proactively alerts them about all these identity security posture issues, including NHIs, including these nonhuman identities, which is something almost no company has a good handle on.

And that, in a lot of cases, can be an entry point to a whole new customer. Of course, we can then be a bigger part of their identity security fabric over time with more of the products. But these new products aren't just upsells to existing customers, their way to land new customers. So the product offering -- and it's unmatched. I mean, no one in the industry has both independent neutrality, the robust, scalable, reliable cloud-based architecture we have plus the breadth of products. Go down the list, no one has it.

No one has access management, governance, privileged access management, posture management, device access, threat protection and on and on and on. Plus none of them are integrated like we are, 8000 integrations and all the work we've done there, leading the industry in this march toward independent neutral identity. It's unmatched. So there's a lot to be optimistic about. And I think you've seen the numbers the last couple of quarters really back that up. Now it's up to us to make sure that translates into very strong success over the rest of the year and beyond.

Dave Gennarelli
Senior Vice President of Investor Relations

Let's go to Gray Powell, followed by Mike Cikos.

Gray Wilson Powell
BTIG, LLC, Research Division

Maybe just a follow-up one on guidance, if it's okay. So I'm just looking at the numbers. Full year revenue guidance calls for 9% to 10% growth. You grew closer to 12% in Q1. You beat numbers by a little bit in Q1, which is good. Just how should we think about the exit rate in Q4? And I know you don't want to get too granular, but does something in the 8% range seem about right? And then what factors or products have the best chances of just driving upside as the rest of the year plays out?

Todd McKinnon
Co-Founder, Chairman & CEO

Well, I can start with some high-level thoughts. And then in terms of like exit run rates and so forth, I'm sure Brett will have some thoughts there. But I think the biggest opportunity for us is large enterprise. You've seen this over the last few quarters. This past quarter, Q1, the number of customers, $1 million ARR and higher grew 20%. And we still have tons of room to grow inside the Global 2000 and really the top 5,000 biggest companies and organizations in the world is a tremendous opportunity for us.

A lot of those organizations are invested a lot in on-premise technology and a lot in on-premise identity with big identity teams that they spend a lot of money on, a lot of cost there. And those companies are with all the change around cloud migration, which has been going on for years and years and years and the focus on security.

And now with all of them trying to take advantage of the AI revolution, there's another catalyst for them to change and upgrade their identity system. And our pitch is basically use this independent neutral identity fabric. We have all these products, we have all this capability, do it with us. And the opportunity there is tremendous.

It's a combination of catalysts for change in that segment that's driving the momentum. It's also the products are much better. I mentioned the breadth of products. I mentioned the maturity and the scalability and the security, the reliability.

And the proven success when you look at our roster of customers and large organizations from large government agencies and health care and financial services and the success some of these big companies are having with Okta, not only in each individual product, but buying a breadth of products from us, it speaks for itself.

Brett Tighe

Chief Financial Officer

In terms of the guidance, let us get through a few more quarters before I start answering questions about FY '27. We've got a long ways to go. Like we've talked about Q1 is our smallest -- our seasonally smallest quarter of the year. So we're not going to take too many takeaways away from Q1. Like we've talked about, we're on track. We feel good with where we are. But we have to go execute well in Q2, Q3 and Q4 before we start talking about really sizes of what we're going to talk about in '27.

Dave Gennarelli
Senior Vice President of Investor Relations

Next up, let's go to Mike, followed by Rob Owens.

Michael Joseph Cikos
Needham & Company, LLC, Research Division

Question for Brett. I know where the -- we're talking about this incremental conservatism we're baking in just based on the tone of conversations, et cetera. Can you just further qualify that? Is it more tied to new logos or NRR? Is it across the business? Is it pub sec? How did you guys think about that incremental prudence we're talking to?

Brett Tighe
Chief Financial Officer

Yes, all of the above, Mike. And there is definitely some -- if you think about the macro umbrella, there is definitely some prudence around the federal vertical, right? Although it's not a huge part of our business, you guys all know it does renew itself every year because of the 1-year contract mandates that the U.S. federal government has.

So that would be kind of like a subset of the total macro, but in general, it's across the board. If you've heard us talk about -- over the last couple of years about the headwinds that we faced in terms of NRR, I don't think that those headwinds would be any different than what we would expect to see if the macro did turn negative as we go through the full fiscal year.

Todd McKinnon
Co-Founder, Chairman & CEO

Yes. And one thing, too, as I hear the conversation here and think about it, you can look at what we're doing, like we're not changing our investment level. We're still investing in this opportunity. And we're not -- the forward-looking macro is, I would say, cautionary, and we're being a little bit prudent.

But if you just look at the numbers, they're good. Q1 was very solid. If you look at the pipelines going into Q2, they're building, and we're very pleased with them. So it's a little bit of a call on how you want to be prudent in your guidance, but we're not changing how we're investing and how we're executing and how we're staffing to take advantage of this opportunity. So that's something that's probably relevant for everyone to think about, too.

Brett Tighe
Chief Financial Officer

Yes, I would also add that one of the reasons to do the specialization or further specialize is to execute as well as possible in any macro environment, right? It's going to allow us to execute better than if we hadn't done.

Dave Gennarelli
Senior Vice President of Investor Relations

Next question from Rob Owens, followed by Shaul Eyal.

Robbie David Owens
Piper Sandler & Co., Research Division

Since DiFucci hasn't gone yet, I guess, I will focus on cRPO a little bit here. And...

Brett Tighe
Chief Financial Officer

No, no. Rob has had like 5 questions on cRPO ready.

Robbie David Owens
Piper Sandler & Co., Research Division

I know, but I'm sure John will drill in because you guys come off a record quarter last quarter. I think you've called it a blowout a couple of times, and it increases by $186 million. But I look at subscription revenue up $3 million quarter-over-quarter. And I know it's not a perfect metric, and there's a lot of puts and takes.

But the $3 million sequential increase in subscription revenue is the lowest that I have in your model since back when you guys went public. And so just help me understand a little bit what some of those puts and takes are and why that number just doesn't look a little bit more robust here in the first quarter, given that a blowout should lend to maybe a little bit more subscription revenue this quarter?

Brett Tighe
Chief Financial Officer

Yes. That's a good question, Rob. So first and foremost, every year has had a higher growth rate. So that higher growth rate masks the 89 days versus 92 days. And remember, last year, it was a leap year. So there were 90 days in Q1. So that's a tougher compare.

The other factor is if you remember what I've said for the last 2 quarters, our guidance philosophy has less conservatism in it. So the beat is not going to be as large. And so you see that come to fruition here. You can see it in the annual guidance that we've given here today, which is we've held flat despite a beat. There would have been a different mechanic that would happened in prior years because we have more conservatism in the model. So those are the 2 main reasons, Rob. Hopefully, that's helpful.

Dave Gennarelli
Senior Vice President of Investor Relations

Next question from Shaul and followed up by Yun Kim.

Shaul Eyal
TD Cowen, Research Division

Maybe to continue and beat a dead horse on that macro front. You did call out a strong March and a strong April, kind of deviating for some other companies who called out a little bit of a pause, just a little bit of a pause during April. With May coming to an end in a handful of days, and I understand the linearity within the quarter between the months of the quarter, how would you characterize the first month of the quarter? Did it build? Did it continue building on the strength you've seen during March and April?

Todd McKinnon
Co-Founder, Chairman & CEO

Yes, it's a good question. I think the conversations and the feelings got more negative in terms of like what we're thinking about going forward. But the numbers didn't. If you just look at pipeline and performance, the numbers stayed consistent with what we saw in Q1. So a little bit of a, I would say, -- and part of that, too, is I'm sure we're like everyone else on the call, we hear what other companies say, too. We hear other companies say that, oh, the business was a little soft in March and April. And we hear that, and we talk to customers and customers probably hear that, too.

So it's possible that this could be a little bit of an echo chamber, and we shouldn't all be this concerned. But I think it warrants being a little prudent here. While at the same time, we're still investing and still executing aggressively and it's really not showing up in the numbers at this point.

Brett Tighe
Chief Financial Officer

Yes. And keep in mind, guys, what Shaul was saying, [we are a] back-end loaded quarter. First months are not normally very indicative one way or the other. We need to get into June and July, and then we'll have a better sense of how things are going. So clearly, we can cover that on the next earnings call.

Dave Gennarelli
Senior Vice President of Investor Relations

Next question from Yun Kim, followed by Gregg Moskowitz.

Yun Suk Kim
Loop Capital Markets LLC, Research Division

So it sounds like the customer identity side of the business performed well. Was that more broad-based? Or was it driven by a few large deals? Because I believe one of your high-profile cloud-native customers experienced a viral event this past quarter. How would an event like that translate into a new -- potentially new large renewal? And what is a typical time frame associated with such a large renewal?

Todd McKinnon
Co-Founder, Chairman & CEO

The customer identity business is going well, specifically on Auth0. Auth0 had a strong Q1. And like a lot of the business, it was one of the most successful customer cohorts, is the large customer cohort, and that was no different for Auth0 in Q1. It will be interesting to see as we move forward, how the Gen AI space and Auth for GenAI plays out. I think that space is -- there are big companies building things that could be taking advantage of Auth for GenAI, but it's also a lot of smaller companies, too. Every small company start-ups trying to innovate around AI agents. And I know a lot of the interest in the developer preview around Auth for GenAI has been from small companies. So I think while in Q1, I think Auth0 had a strong big deal quarter. I think we're optimistic for the rest of the year to be that success to be quite broad-based.

Brett Tighe
Chief Financial Officer

Yes. I would just add to that. The biggest deal in the quarter was actually an Auth0 deal from a specialized team. So we feel pretty good about -- especially feel good about because you heard Todd talk about it earlier, which is they had a really good Q4. So to back it up with another nice Q1 really shows the fruits of our labor, if you will, over the last couple of years, where we've really been focusing a lot on Auth0 and selling into that buyer and making progress there.

So it was big deals, but there was also a lot of other deals as well. So we feel good about where we're trending there and look forward to how the team will execute for the balance of the fiscal year.

Dave Gennarelli
Senior Vice President of Investor Relations

Next, we'll go to Gregg Moskowitz, followed by Ittai Kidron.

Gregg Steven Moskowitz
Mizuho Securities USA LLC, Research Division

Maybe a follow-up on AI for Todd. So adoption of agentic starting to take off at least among leading-edge enterprises, but a lot of investors still struggle with when will the rubber meet the road for Identity Security to be implemented to protect these agents. Now if I look at Okta, as you said earlier, obviously, Auth for GenAI only in developer preview will be out fairly shortly. But from a customer adoption standpoint, how do you see all this playing out for Okta from here?

Todd McKinnon
Co-Founder, Chairman & CEO

You hit the nail on the head. I think where the industry is, is we're starting to go from POCs to production, and it's just starting. And I think you're right, only the most advanced forward-leaning enterprises are actually doing production AI right now and use cases at scale where they're seeing tangible business benefit at scale in production.

Now when you look at agentic workflows and these agentic systems, they're amazing, but what they really do as well is they magnify this existing problem that's been around for a long time with nonhuman edits. There's been nonhuman identities in companies and tokens, tokens used to access systems and APIs and service accounts forever. And it's been a problem that not a lot of companies have done a great job addressing. And -- so that's why we've been really focused on that layer.

It's not AI specific, but it's exacerbated by AI. So when you look at our Identity Security Posture Management, its ability to detect these NHI and you look at our privileged solution and our general access management solution, which allows companies to secure those nonhuman identities, it's very relevant for a company even if they're just POC in these agents. And they're in a proof of concept. They're not really in production. It just puts us -- shines a light on this problem as they think about moving to production. So that's a very important aspect of this dynamic in the market.

Now we do think as more of these projects move into production, it's really, really going to force this issue even more. And so I think we're going to see further acceleration as more and more companies move into production.

Dave Gennarelli
Senior Vice President of Investor Relations

Next, we'll go to Ittai, followed by Adam Tindle.

Ittai Kidron
Oppenheimer & Co. Inc., Research Division

A couple of questions for you, Brett. As you look at the mix of contribution this quarter between seats, new products, cross-sell, can you tell me how it came out relative to your plan? And what areas do you think [you did] a little bit better? And what areas perhaps not as good? And also, I think last quarter, you gave some details on new products as a percent of bookings. Can you refresh our minds where do we stand right here right now, how the momentum and trajectory is looking there?

Brett Tighe
Chief Financial Officer

Yes. For new product, we'll start -- we'll answer in backwards. So [NPI], new products, which include a lot of the products we've been talking about a lot on this call, had another nice quarter. In terms of the mix of new business versus upsell versus cross-sell, we had a nice new business quarter, one of the better ones we've had in a few quarters, which is good.

But to be clear, the pipeline is still more tilted toward upsell than it historically has been. And when I say upsell, I mean, upsell and cross-sell. We had a nice -- we did a nice job on cross-sell, and we actually did necessarily as well on the seat upsells as well. So all in all, this is why we're saying we feel like we're on track, we had a nice quarter and the team executed very well to be able to hit the marks.

Ittai Kidron
Oppenheimer & Co. Inc., Research Division

Can you put a percentage of the new products as bookings as you did a quarter ago?

Brett Tighe
Chief Financial Officer

It's in the ZIP code as the last few.

Dave Gennarelli
Senior Vice President of Investor Relations

Next, we'll go to Adam Tindle, followed by Rudy Kessinger.

Adam Tindle

Brett, the cRPO color from earlier was helpful. I just wanted to build on that coverage ratio that you talked about. If I hold that metric to typical seasonality, obviously, cRPO is going to decline again sequentially in Q2, but I think it actually starts to grow sequentially in Q3 and Q4, if I did the math correctly. And I hate to beat a dead horse, but the context here is we obviously had that as a key metric. cRPO was down this quarter. Your guidance implies its down next quarter, and there's a fear that this is just going to be a sequential decline persisting where new bookings are in perpetual decline.

But I think that metric that you're talking about on coverage ratio is refuting that. So if you could maybe just touch on the color of the shape of cRPO for the year because I think Q2 might actually potentially be the bottom, if I'm getting this right.

Brett Tighe
Chief Financial Officer

Yes. In terms of dollars, that's probably roughly correct. I haven't done the exact math off the guidance, but it is the ZIP code likely. But let us get through Q2 and Q3 -- or Q2 and give you an update there. But I think that's probably right based on what you're saying.

Dave Gennarelli
Senior Vice President of Investor Relations

Okay. Next question going to Rudy, followed by John DiFucci.

Rudy Grayson Kessinger
D.A. Davidson & Co., Research Division

So your cRPO growth has been 13% to 15% year-over-year the last 5 quarters. If we look at your subscription revenue growth versus cRPO growth on a 1- to 2-quarter lag, it's been very tight the last couple of years. And so why shouldn't subscription revenue growth be in that 13% to 15% range the next couple of quarters?

Brett Tighe
Chief Financial Officer

Because we're telling you it's not. No, I'm just joking. But ultimately, if you don't look -- I just think it's a [fool's errand] to get into the growth conversation. I've told you guys, I don't know how many times at this point, look at the coverage ratios. That is like -- I don't know what the correlation is, but R squared it's got to be like 0.9 or 0.95.

So like we got to stop looking at percentages and look at the actual dollars because that's the mechanics of how the math work through the financials. So use the dollars, forecast like I've told you, either the annual or the current quarter one that Adam was just bringing up, and I would just highly recommend going down that path. There's only one way to do it. I don't think we need to like innovate on how to do revenue accounting. Let's stick with how it is or how I've described it.

Dave Gennarelli
Senior Vice President of Investor Relations

Good time for a question from John DiFucci, followed by Josh Tilton.

John Stephen DiFucci
Guggenheim Securities, LLC, Research Division

I'm not going to hit that. You know what I think of that. But anyway, Brett, you previously talked about the seat and MAU upsell headwinds, mid-contract or at time of renewal for some of your older customer cohorts. It sounds like you're doing well with new products. It really does, and we hear that too in the field. So is that headwind still why NRR declined for the fourth consecutive quarter? And do you still expect to see that alleviate sometime in the near future? Or is the macro backdrop giving you signs that this may persist? It sounds like it might be the latter.

Brett Tighe
Chief Financial Officer

Yes, we do expect it to travel in this range. And yes, to your -- answer to your first question was also yes. But yes, if the macro does deteriorate significantly, it will have a headwind on NRR just by default. It will make it harder to do new business as well. It's not like it's going to just be relegated to one side of the business. So yes, I think that's the best answer I got for you, John.

John Stephen DiFucci
Guggenheim Securities, LLC, Research Division

Okay. But so far, because it's come down the last 4 quarters, it should like bottom here or...?

Brett Tighe
Chief Financial Officer

Well, what, we talked about -- if you remember what I talked about last quarter, looking at the full fiscal year based on our expectations and being methodical with our approach about go-to-market specialization, we said it was going to go plus or minus a little bit, right?

We still think it's plus or minus a little bit from here. I don't have an exact number for you, John, but it's -- it will travel in a channel here unless there is something big that happens like a macro adjustment out there. Then we'll obviously update you then, and we'll tell you how it's going as a result of that.

Dave Gennarelli
Senior Vice President of Investor Relations

We have about 4 minutes left. We'll go to Josh Tilton, followed by Keith Bachman.

Joshua Alexander Tilton
Wolfe Research, LLC

Todd, maybe one for you. When you first started talking about the customer identity opportunity, I think to us, it kind of made a lot of sense why your customers would choose to buy this stuff instead of building it out of the box. That was, I guess, more for the traditional SaaS world. So what I'm trying to understand is there seems to be a lot of newfound excitement on the customer identity side as we head into this agentic world.

Is there anything about a future of agent-based apps that is going to make it even more of a no-brainer to go with buying this out of the box from you guys on the customer identity side instead of trying to develop it themselves compared to maybe the old school SaaS world?

Todd McKinnon
Co-Founder, Chairman & CEO

I think in general, the trend is toward more buy, less build. And I think AI probably is -- I'm not sure it's a huge accelerant of that. I think it's probably on trend just because I think it's mostly like the solutions are getting better.

If you go 10 years ago, there wasn't really good customer identity solutions that were easy to use, reliable, scalable. And now with Auth0 had an amazing developer experience and were easy to start using and then upsell over time. And that continues. And I think I think the moving to the world of AI and agents and embedding customer identity inside of those apps, I don't know if it's material different, but it's on a trend line that's toward buying these solutions versus building, which is one of the reasons why we're so bullish on this business.

Dave Gennarelli
Senior Vice President of Investor Relations

We'll go to Keith Bachman and take the final question from Roger Boyd.

Keith Frances Bachman
BMO Capital Markets Equity Research

Todd, I wanted to direct this back to you and to follow up on, as you say, the nonhuman side of the business. And the broader question is why do you think Okta will win in that environment? And I think a lot of investors assume it is going to be a big market. Pricing may be different.

But why does Okta win versus when we were at RSA talking to CyberArk or SailPoint or Saviynt, whoever it is, all think that they're in a position to win, particularly since our take, it sounds like governance will be part of identity with agents, more so than, say, just access. But maybe just kind of run through if the market develops as investors think it will, why does Okta win in the agent world or nonhumans?

Todd McKinnon
Co-Founder, Chairman & CEO

Well, I think today, it's because we're the only one with a complete solution. And we have this breadth of products that can help solve this problem from detection to vaulting to governance workflows. And I'm talking specifically about NHIs.

And I think -- but that's -- I mean, that's only kind of entry to the race. Now we have to execute well, and we have to keep innovating. By the way, this whole agentic revolution and agents working on your behalf, I think that's a whole other set of capabilities and products that we're thinking about and building, and we haven't released and announced them yet. But there's a whole layer on top of what we talk about service accounts and tokens and API access. That's actually tracking the agent and knowing what that means and knowing what security posture you want and what governance, life cycles, et cetera, et cetera.

So I think we have a lead in this market today. And I think we have a trusted brand that gives us a right to play and a right to help define this market. But we have to execute. It's going to be a big opportunity. I fully agree with that. But we have to keep executing and keep innovating and keep delivering to our customers in the way we have for many years to earn that win long term.

Dave Gennarelli
Senior Vice President of Investor Relations

And we'll take our final question from Roger Boyd.

Roger Foley Boyd
UBS Investment Bank, Research Division

Maybe just to come back to the outlook on -- I know prudence is the name of the game here. But when you think about the adjustment you're making around the U.S. public sector, does any part of that look more material than just prudent? And I know it's not a huge vertical when you called out some key 1Q wins there, but are conversations with federal customers sounding any different than what you're hearing with the private sector?

Todd McKinnon
Co-Founder, Chairman & CEO

I think federal -- I think in general, customer conversations and people in the market, it's about uncertainty and tariffs and not sure -- not knowing what that means for the overall economy.

Federal is different. You also have this government efficiency, and federal agencies are looking to rationalize or justify efficiency. And the -- I guess, the glass half-empty view on this is that there's conversations where they're making sure they justify investments and act efficiently.

The glass half-full description of this or what we're seeing is that Okta is very justifiable, and we can do things that are more capable and cheaper to run and more efficient than the alternatives, especially some of the legacy solutions out there that are costing these government agencies real money.

And we can make a huge difference there. And that's why you're seeing our success there. We mentioned the public sector 4 out of the top 10 deals in the quarter, 2 out of the top 3. I was in Washington, D.C. in the quarter talking to Department of Defense and many other really important strategic customers and partners of Okta, and we can really help in this business.

So it is -- I think with the efficiency work there, there is another layer of concern and conversations beyond the general economic uncertainty conversations. But I think over the test of time, I'm very confident that we're going to continue to see huge success there like we have in Q1. And hopefully, in Q2 and Q3 and Q4, we'll keep the ball rolling to a high degree, and you'll see super strong success and growth there like we've seen in the past couple of years.

Dave Gennarelli
Senior Vice President of Investor Relations
Great. Thanks, guys. I apologize that we didn't get to all the questions. And I just want to let you know before we go that in addition to hosting several on-site and virtual bus tours this quarter, we'll be attending the Baird Tech Conference in New York on June 3, the FBN Virtual Conference on June 4 and the BMO Virtual Conference on June 10, and we hope to see you at one of those events. Thank you.