



OKTA SECOND QUARTER AND FISCAL 2026 POSTED COMMENTARY

August 26, 2025

Okta is posting this prepared commentary, press release, and earnings presentation to its investor relations (IR) website to provide stockholders and analysts with additional detail prior to its quarterly earnings webcast. The webcast begins at 2:00 p.m. PT (5:00 p.m. ET) on August 26, 2025 and will include executive comments followed by Q&A. To access the webcast of the executive comments and Q&A session, visit the IR section of our website at investor.okta.com. A reconciliation of GAAP and non-GAAP results is provided in the tables following this Posted Commentary. Okta references a number of numeric or growth changes below. Unless otherwise noted, each such reference represents a year-over-year comparison.

TOP-LINE METRICS

Total revenue for the second quarter grew 13% to \$728 million, led by a 12% increase in subscription revenue. Subscription revenue represented 98% of our total revenue. International revenue grew 9% and represented 20% of our total revenue.

Workforce Identity and Customer Identity Growth and Annual Contract Value (ACV) Split

Workforce Identity ACV grew 10% and represented 59% of total ACV. Customer Identity ACV grew 15% and represented 41% of total ACV. Over the long term, we continue to expect the mix to trend towards 50/50 with healthy growth in both businesses.

Remaining Performance Obligations (RPO) and Current RPO

RPO, or subscription backlog, grew 18% to \$4.152 billion. The overall average contract term length is approximately 2.5 years.

Current RPO (cRPO), which represents subscription backlog we expect to recognize as revenue over the next 12 months, grew 13% to \$2.265 billion.

SELECT FINANCIAL REVIEW

Net Retention Rate

The dollar-based net retention rate for the trailing 12-month period was 106%. Recent pressure on the net retention rate primarily reflects macro-related pressures on the business. The net retention rate may fluctuate from quarter-to-quarter as the mix of new business, renewals, and upsells fluctuates.

Non-GAAP Expense & Profitability (all numbers are non-GAAP unless otherwise noted)

Profitability was better than expected due to the combination of revenue overperformance and our continued focus on spend efficiency measures, while investing for future growth and security initiatives.

Total expenses for the quarter were \$526 million, an increase of 6% year-over-year. Operating profit margin was 28%, compared to 23% in Q2 last year.

Total headcount at the end of Q2 was approximately 5,975.

Cash Flow & Balance Sheet

Q2 free cash flow was \$162 million, yielding a free cash flow margin of 22%. Free cash flow was driven by improved operating profitability and strong collections.

The balance sheet remains strong, anchored by \$2.858 billion in cash, cash equivalents and short-term investments. Our cash, cash equivalents and short-term investments position, net of remaining convertible debt, is \$1.998 billion.

Convertible Debt Summary

In September 2019, we issued the 2025 Notes due September 1, 2025 with a principal amount of \$1,060 million. Okta will settle the remaining principal amount of \$510 million in cash.

In June 2020, we issued the 2026 Notes due June 15, 2026 with a principal amount of \$1,150 million. As of July 31, 2025, \$350 million principal amount of the 2026 Notes remain outstanding.

The company did not repurchase any of the outstanding debt in the second quarter. We will be opportunistic with debt repurchases going forward and regularly evaluate our capital structure and capital allocation priorities.

CUSTOMERS AND CUSTOMER SUCCESS

We continue to see strong growth with large customers for both workforce and customer identity. In Q2, we added 75 customers with \$100,000 plus in ACV. Our total base of \$100,000 plus ACV customers grew 7% to 4,945, and represents over 80% of total ACV.

Our total base of \$1 million plus ACV customers grew 15% to 495. The \$1 million plus cohort represents over \$1 billion in total ACV.

A few notable examples of new customer wins and upsells in Q2, which come from a wide range of industries.

- ❖ New Workforce (OIG, ITP, ODA) and AuthO: A home improvement company selected Okta and AuthO to modernize identity for both their internal workforce and external member portal environments. The company is undergoing a transformation and needed a scalable identity platform to unify multiple brands under one strategy. Okta's platform, including OIG, ITP, and ODA, was chosen for its ability to streamline onboarding, strengthen security posture, and support phased modernization across thousands of employees and tens of thousands external members. Okta replaced several solutions that offered only partial capabilities and was selected over Microsoft based on architectural flexibility, security integrations, and support for multi-entity M&A use cases.
- ❖ New AuthO: A Global 2000 fintech company was a new AuthO win. While investing in digital transformation with a goal of improving customer experience, the company sought to overhaul its user login experience. The company chose AuthO over competitors as the best tool for its developers, allowing them to greatly improve insights in user login data, as well rapidly drive new features through app development. This deal was a great cross-functional collaboration with AWS as partners and was transacted through the AWS marketplace.
- ❖ New AuthO: A Global 2000 European distributor of electrical products was a new AuthO win. The company sought to improve efficiency, security and user experience. The company plans to use AuthO for its web shop portal to help drive revenue growth.

- ❖ New Workforce, OIG, ITP: A large federal contractor was a new Okta workforce deal this quarter, including OIG and ITP. Faced with aging legacy technology, the company looked to modernize their identity and access management across the organization to simplify the user experience and have a unified approach with greater efficiencies and security. Staying in compliance with federal regulations was a priority, as well.
- ❖ New Workforce, OIG, OPA: An IT solution company was a new Okta platform win this quarter. The company was seeking to modernize its identity infrastructure and move away from legacy tools. The deal included access management, OIG, PAM and Okta Access Gateway. The core requirements were high availability, resiliency, neutrality, security, robust platform, simple ongoing maintenance, and ease of use.
- ❖ Workforce Cross-sell, Okta Customer Identity (OCI): A U.S. state agency in the southwest was facing increasing security challenges with employees accessing their paychecks and tax statements. Having already deployed Okta access management for state employees, it turned to Okta Customer Identity as a modern identity solution that can enforce MFA in order for employees and retirees to log into applications more securely. The agency was able to deploy OCI in one week.
- ❖ Workforce Upsell, OPA: This technology company was frustrated with their existing PAM vendor, which they found inefficient and labor intensive. They turned to Okta Privileged Access as we demonstrated we could meet or exceed their business requirements. The company valued OPA as part of the Okta Platform and integrated approach to identity.
- ❖ Workforce Upsell, ISPM, ITP, ODA: A robotics company focused on building general-purpose human-like robots was a new Okta platform deal this quarter. This deal was a complete replacement of Microsoft identity tools. The company sought a more secure, scalable solution for their employees and partners.
- ❖ Cross-sell: A Fortune 500 aerospace company and existing Okta workforce customer since 2014, became a new AuthO customer. The company was dissatisfied with an existing vendor and turned to AuthO based upon a successful proof of concept and the company's long history of collaboration with Okta.

FINANCIAL OUTLOOK*

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 FY26.

For the third quarter of FY26, we expect:

- Total revenue of \$728 million to \$730 million, representing a growth rate of 9% to 10%;

- Current RPO of \$2.260 billion to \$2.265 billion, representing a growth rate of 10%;
- Non-GAAP operating income of \$160 million to \$162 million, which yields a non-GAAP operating margin of 22%;
- Non-GAAP diluted net income per share of \$0.74 to \$0.75, assuming diluted weighted-average shares outstanding of approximately 185 million; and
- Free cash flow margin of approximately 21%;

For FY26,

- We now expect revenue of \$2.875 billion to \$2.885 billion, representing a growth rate of 10% to 11%;
- We are raising our outlook for non-GAAP operating income and now expect non-GAAP operating income of \$730 million to \$740 million, which yields a non-GAAP operating margin of 25% to 26%;
- Non-GAAP diluted net income per share is now expected to be \$3.33 to \$3.38, assuming diluted weighted-average shares outstanding of approximately 185 million; and
- We are raising our free cash flow margin outlook for FY26 to approximately 28%.

* Announced acquisition of Axiom Security is expected to be immaterial to all guidance metrics

FORWARD-LOOKING STATEMENTS

This prepared commentary contains "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, including but not limited to, statements regarding our financial outlook, business strategy and plans, opportunities and positioning. These forward-looking statements are based on current expectations, estimates, forecasts and projections. Words such as "expect," "anticipate," "should," "believe," "hope," "target," "project," "goals," "estimate," "potential," "predict," "may," "will," "might," "could," "intend," "shall" and variations of these terms and similar expressions are intended to identify these forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements are subject to a number of risks and uncertainties, many of which involve factors or circumstances that are beyond our control. For example, macroeconomic conditions have in the past and could in the future reduce demand for our solutions; we and our third-party service providers have in the past and could in the

future experience cybersecurity incidents; we may be unable to manage or sustain our revenue growth and profitability; our financial resources may be insufficient to effectively compete in our market; we may be unable to attract new customers, or retain or sell additional solutions to existing customers; we may fail to maintain strategic partnerships to promote or enhance our solutions; we may experience challenges successfully expanding our existing marketing and sales capabilities, including further specializing our go-to-market organization; customer growth has slowed in recent periods and could continue to decelerate in the future; we could experience interruptions or performance problems associated with our technology, including a service outage; and we and our third-party service providers have failed, or were perceived as having failed, to fully comply with various privacy and security provisions to which we are subject, and similar incidents could occur in the future. Further information on potential factors that could affect our financial results is included in our most recent Quarterly Report on Form 10-Q and our other filings with the Securities and Exchange Commission. The forward-looking statements included in this prepared commentary represent our views only as of the date of this prepared commentary and we assume no obligation and do not intend to update these forward-looking statements.

NON-GAAP RECONCILIATION

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

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

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

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

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

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

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

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

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

Non-GAAP Operating Income and Non-GAAP Operating Margin

	Three Months Ended July 31,		Six Months Ended July 31,	
	2025	2024	2025	2024
Operating income (loss)	\$ 41	\$ (19)	\$ 80	\$ (66)
Add:				
Stock-based compensation expense	144	148	272	299
Non-cash charitable contributions	—	1	—	4
Amortization of acquired intangibles	17	18	34	37
Legal settlements and related expenses	—	—	—	7
Non-GAAP operating income	<u>\$ 202</u>	<u>\$ 148</u>	<u>\$ 386</u>	<u>\$ 281</u>
Operating margin	6 %	(3)%	6 %	(5)%
Non-GAAP operating margin	28 %	23 %	27 %	22 %

Non-GAAP Net Income, Non-GAAP Net Margin and Non-GAAP Diluted Net Income Per Share

	Three Months Ended July 31,		Six Months Ended July 31,	
	2025	2024	2025	2024
Net income (loss)	\$ 67	\$ 29	\$ 129	\$ (11)
Add:				
Stock-based compensation expense	144	148	272	299
Non-cash charitable contributions	—	1	—	4
Amortization of acquired intangibles	17	18	34	37
Amortization of debt issuance costs	—	1	1	1
Gain on early extinguishment of debt	—	(3)	—	(3)
Legal settlements and related expenses	—	—	—	7
Tax adjustment	(59)	(63)	(109)	(86)
Non-GAAP net income	<u>\$ 169</u>	<u>\$ 131</u>	<u>\$ 327</u>	<u>\$ 248</u>
Net margin	9 %	5 %	9 %	(1)%
Non-GAAP net margin	23 %	20 %	23 %	20 %

Weighted-average shares used to compute net income (loss) per share, basic	175,460	168,612	174,827	168,045
Non-GAAP weighted-average effect of potentially dilutive securities	9,767	13,752	9,386	13,358
Non-GAAP weighted-average shares used to compute non-GAAP net income per share, diluted	<u>185,227</u>	<u>182,364</u>	<u>184,213</u>	<u>181,403</u>
Net income (loss) per share, diluted	<u>\$ 0.37</u>	<u>\$ 0.15</u>	<u>\$ 0.72</u>	<u>\$ (0.06)</u>
Non-GAAP net income per share, diluted	<u>\$ 0.91</u>	<u>\$ 0.72</u>	<u>\$ 1.77</u>	<u>\$ 1.37</u>

Free Cash Flow and Free Cash Flow Margin

	Three Months Ended July 31,		Six Months Ended July 31,	
	2025	2024	2025	2024
Net cash provided by operating activities	\$ 167	\$ 86	\$ 408	\$ 305
Less:				
Purchases of property and equipment	(2)	(5)	(3)	(6)
Capitalized software	(3)	(3)	(5)	(7)
Free cash flow	<u>\$ 162</u>	<u>\$ 78</u>	<u>\$ 400</u>	<u>\$ 292</u>
Net cash provided by (used in) investing activities	\$ 238	\$ 156	\$ 118	\$ (38)
Net cash used in financing activities	\$ (22)	\$ (50)	\$ (67)	\$ (87)
Operating cash flow margin	23 %	13 %	29 %	24 %
Free cash flow margin	22 %	12 %	28 %	23 %