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# **Okta, Inc.** NasdaqGS:OKTA

## *Earnings Call*

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# Call Participants

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### Gray Wilson Powell

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### Ittai Kidron

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# Presentation

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## **Dave Gennarelli**

*Senior Vice President of Investor Relations*

Hi, everyone. Welcome to Okta's Third 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-Q. 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 financial measures versus their closest GAAP equivalents are available in our earnings press release. You may 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 or 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're pleased to report another solid quarter of results. In Q3, we experienced strength with large customers and Okta Workforce upsells, particularly with new products like Okta Identity Governance. These results are driven by our unique ability to solve complex identity challenges across the entire enterprise landscape. In my comments today, I'm going to expand on our success with new products. I'll also share how Okta Secures AI, which represents a significant new opportunity and a catalyst for growth. Brett will then cover our financial performance and provide an update on the progress we're seeing with the expanded go-to-market specialization. Okta's new products continue to make meaningful contributions to our results.

Customers that are frustrated trying to manage sometimes dozens of different identity systems are turning to Okta for a modern, neutral and unified identity platform. We have been investing in innovation and our portfolio of new products are allowing customers to dramatically reduce complexity while significantly improving their security posture. New products include Okta Identity Governance, Okta Privileged Access, Identity Security Posture Management, Identity Threat Protection with Okta AI, Okta Device Access and Fine Grained Authorization. Many of these new products can now be delivered as part of product suites, which provide more value and further simplify the way customers can do business with Okta.

We believe these new products will continue to provide incredible value to our customers and will be a growth driver for many years to come. Earlier in Q3, we had a record number of customers and partners come to Oktane in Las Vegas to hear how Okta secures AI. The simple way to think about it is that Okta is helping customers both build more secure AI agents and manage their AI agents in a secure and scalable

way. The emergence of agentic technology is redefining the identity security landscape. AI security is identity security. AI agents represent a new powerful identity type. However, without proper security governance, they are also highly vulnerable. Securing AI agents and nonhuman identities is not a feature. It's essential for any businesses looking to safely scale their adoption and deployment of AI.

If an organization does not secure its agents today, they risk undoing years of security improvements and leaving themselves vulnerable to new identity-based attacks. Okta has prioritized our efforts to focus on helping customers solve this business imperative and capture what we believe will be the next catalyst for growth and meaningful market within the identity security space. Okta's neutral and unified platform, coupled with our installed base of over 20,000 customers, positions us best to become the identity layer for AI agents. That's why we're so excited about the recent launch of Auth0 for AI agents. Auth0 for AI agents allows customers to build secure agents, APIs and users more effortlessly across their B2B, B2C and internal app ecosystem.

Based on our conversations, customers are expecting Okta to deliver the capabilities to help build and manage their AI agents. They are already turning to us to help guide them through the new security challenges that AI brings. Over just the past few months, we have experienced a surge in inbound interest for our Agentic Security solutions to manage agents, Okta for AI agents. These organizations are looking for a single control plane to observe and manage agents of all types in a way that offers flexibility as the technology continues to evolve. They also want a solution that gives them control like the ability to embed fine-grain access into every agent. Okta is here to deliver. The excitement is real and the interest is tangible. It's very early days on this front, but we have already been engaged with over 100 of our current customers, which combined represent over \$200 million in existing ARR.

To give you a sense of the interest, I want to share a great early win with Okta for AI agents. It's with a financial services customer that is in the midst of deploying AI agents across their operations. Given the sensitive nature of their data and the need to remain compliant with the regulatory environment, securing these agents was not optional. It was critical. They selected Okta for AI agents to secure their AI footprint and provide them with enhanced visibility and remediation capabilities for the agent identities, enforce access control, identity governance and threat detection. It was a great win-win. Okta is helping the customer to safely deploy AI across their business and the addition of Okta for AI agents represented a significant ACV uplift compared to their prior contract.

We are successfully executing on our strategy to capture this emerging opportunity, and this deal demonstrates our ability to lead the market by moving beyond securing human identities to securing agentic identities. Okta is the essential identity layer to help customers build, observe and manage AI agents. We're the only company that is able to secure AI with a modern and neutral platform, allowing us to deliver even greater value to our customers. In addition to helping customers build and manage AI agents, Okta is driving the industry to an architecture where identity is more valuable and more secure. Last quarter, you heard me talk about Okta's role in the development of cross-app access, which brings visibility and control to both agent-driven and app-to-app interactions. This allows IT teams to decide what apps are connecting and what information AI agents can access. I'm excited to share that as of last week, cross-app Access is now an extension of a model context protocol known as MCP, which helps validate that identity providers like Okta will act as the indispensable control plane for the AI enterprise.

To wrap things up, we're pleased with another solid quarter of results, and we believe we're best positioned to win the exciting new market segment of securing AI. In this rapidly evolving environment, organizations of all sizes are looking to Okta to deliver modern and scalable identity security solutions that can seamlessly integrate across their networks. We are confident in our strategy and enthusiastic about the momentum of the business as we head into our seasonally biggest quarter of the year. 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. And 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. My commentary will provide insights into our Q3 performance and then move into our outlook for Q4 and FY '26. We remain pleased with the overall progress we're making to further specialize our go-to-market teams. Importantly, we continue to see improvement in sales productivity. Partially driving this is our average AE tenure, which has remained strong on the back of healthy attrition levels. The continued positive trends we are seeing across our go-to-market KPIs reinforce our confidence that this specialization strategy is the right path to accelerate long-term growth.

Another area of sales specialization where Okta has seen strength over the past few years is the public sector. All things considered, the government shutdown didn't meaningfully change the outcome of our Q3 results. We remain very optimistic about expanding our presence with U.S. government agencies as well as state and local agencies as we move forward. Over the past couple of years, we've done well to improve our margins to healthy levels while making investments for growth. Our disciplined investment areas remain clear: improving sales productivity through go-to-market specialization, relentless product innovation and further leveraging our channel partners. More recently, we've expanded our investment areas to drive future growth by increasing the number of quota-carrying sales reps.

Our recent results and business momentum give us confidence to add sales capacity in order to service the demand next year and beyond. Moving on to our balance sheet. In September, the 2025 convertible notes reached maturity, and we settled the remaining principal amount of \$510 million in cash. We had another great quarter of cash flow in Q3 and ended the quarter with a strong balance sheet consisting of nearly \$2.5 billion in cash, cash equivalents and short-term investments. We regularly evaluate our capital structure and capital allocation priorities, which includes investing in the business, M&A and opportunistic repurchasing of the 2026 notes, of which \$350 million remains outstanding. Now let's turn to our business outlook. For Q4 and FY '26, we continue to take a prudent approach to forward guidance that factors in current market conditions.

For the fourth quarter of FY '26, we expect total revenue growth of 10%, current RPO growth of 9%, non-GAAP operating margin of 25% and free cash flow margin of approximately 31%. For the full year FY '26, we are raising our outlook and now expect total revenue growth of 11%, non-GAAP operating margin of 26% and a free cash flow margin of approximately 29%. We will issue FY '27 guidance on our Q4 earnings call, which will provide a more informed view of FY '27, especially as we exit this quarter, which is seasonally the biggest quarter of the year. To wrap things up, we're enthusiastic about the trends we're seeing across the business from the adoption of new products to customer interest and how Okta secures AI. This gives us confidence to continue making critical investments to accelerate top line growth. We're pleased with another solid quarter of results. We now look to close out FY '26 strong and build on this year's success. With that, I'll turn it back to Dave for Q&A. Dave?

## Question and Answer

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### **Dave Gennarelli**

*Senior Vice President of Investor Relations*

Thanks, Brett. I see that there are quite a few hands raised already, and I'll take them in order until the top of the hour. And in the interest of time, please limit yourself to one question. With that, we'll take the first question from Gray Powell of BTIG.

### **Gray Wilson Powell**

*BTIG, LLC, Research Division*

Congratulations on the good results. Can you hear me okay? It looked like I froze there.

### **Todd McKinnon**

*Co-Founder, Chairman & CEO*

Loud and clear, Gray.

### **Gray Wilson Powell**

*BTIG, LLC, Research Division*

Great. So yes, it's good to hear the commentary on platform momentum. And at a high level, I definitely think it makes a lot of sense. But I do have to admit sometimes we pick up on like conflicting data points in our field work. Some partners say it's great. Others are a little skeptical. So I guess from your perspective, what gets customers over the hump and convinces them to consolidate IAM, governance, PAM, customer identity and any other components to Okta? Are there any like commonalities between customers who consolidate? Can you just kind of talk about like why you see those win rates?

### **Todd McKinnon**

*Co-Founder, Chairman & CEO*

I think the answer is it's always wrapped up in some other technological change. If you're not changing your data center, if you're not changing your apps, if you're not investing in AI, you're not going to change identity. So in all the customers I work with, it's about some other catalyzing technological change. For many years, it was cloud and building mobile apps and still cloud transformation. And -- but what we're seeing more and more is companies are trying to move technology so they could take advantage of AI. They're modernizing apps. They're modernizing their security stack so they can give AI agents access to all of their data resources, and that's been a catalyzer.

I think on the partner, we had actually a pretty strong quarter with the partner channel. Many of the largest deals went through a partner. It's actually transacted and the services were fulfilled through a partner. So it's an area of strength. I think just compared to other companies, a lot of times, we're not as deep and reliant on partners. So maybe that's why some of the partner checks are coming up inconsistently. But increasing that reach with partners and presence with partners has been a big priority. And I think on all our internal data, it's manifesting itself quite prevalently. So we're very excited about that.

### **Eric Kelleher**

*President & COO*

Yes. I would add to that, Gray, and thanks for the question. I think another area to consider with customers as far as consolidating all these use cases with Okta as their identity partner is enterprises, as they get more and more mindful of the importance of securing identity across human, nonhuman and agentic, they're realizing that the legacy architectures they've built with multiple products from multiple vendors and multiple stacks is fragile. And with that fragility comes in security. It's harder for them to have confidence they're managing securely all their identity use cases in a way that they're confident in their ability to protect against identity-based cyberattacks.

And so they see value in consolidating on one partner with Okta so that they have confidence they've got a single pane of glass to manage all of that. So by removing complexity, removing vendor distribution, consolidating on Okta's platform, they're able to better manage and be more confident in their security posture against threat actors.

**Dave Gennarelli**

*Senior Vice President of Investor Relations*

Let's go to Ittai Kidron at Oppenheimer.

**Ittai Kidron**

*Oppenheimer & Co. Inc., Research Division*

Solid quarter. I guess, Todd, very interesting commentary, needless to say, about AI and the 100 customers who are trialing it. Can you give us a little bit color on, a, do I have to be an Okta customer to specifically deploy your AI capabilities? Or those could be applied to any company even if they don't use you for core access management, number one. Number two, when you think about the full deployment of this, how do I think about the dollar potential here when you have customers that are spending \$100,000 with you by how much can AI truly elevate that total bill for them?

**Todd McKinnon**

*Co-Founder, Chairman & CEO*

Yes. We've -- I've been personally and the entire company is blown away by how interested customers and prospects are in this capability. I haven't seen anything like this in my experience at Okta with a new capability or a new product set. So it's very, very exciting. And if you step back and think why, everyone, no surprise, big shock, they're trying to take advantage of AI and build AI workflows into their enterprise workflows. And a lot of them are stuck. And I think it's why you see some of the adoption rates of some of these platforms like Salesforce or ServiceNow or others is below what people want.

And they're stuck because right now, they have a couple of choices. They can either deliver agentic apps that look very much -- they don't have any access to the company's data. They look very much like public Gemini or public ChatGPT, generic chatbots, and they can't get any insight from the company's data. That's -- that's one choice. And -- or the other choice is you take all the company's data and you show it in a big data warehouse like Snowflake or Databricks or Palantir and then the agents have way too much access. They can just see everything and they do unintended things. And so people are stuck and they're pause and they're saying, wait a minute, we're not going to roll these things out. And there's a huge, huge cohort of companies that are trying to do something AI and they're stuck.

And then they come to us because what we can do is what we're very good at is figure out who can access what, not only for people, but now for AI agents and help them filter who has access to what, how you deploy these applications in a way that gives the right information to the agent and the right security level and lets them observe the behavior and build the right use cases for the business and that without overpermissioning at all. It is early days, like we announced and released these products just in the last couple of months after our conference in September. So it's early days. But we do have several deals that have been transacted for these products. We gave the example of the financial company that is rolling out these agents and purchase the product. It's early days, but it's incredibly exciting.

And I think it's because longer term, if you look at our market, we have a \$50 billion TAM for workforce identity, a \$30 billion TAM for customer identity. Owning and governing the agentic identity layer and securing AI can be a bigger TAM than both of those. I mean it's several years out, and it's going to be a lot and change in growth there, which, by the way, is, I think, one of the reasons why companies are coming to us because talk about a dynamic environment, you have a new model release coming out every couple of months, and Gemini is better and now OpenAI is better and then Anthropic is better and the technology is all shifting around it and customers don't want to get locked in. They're hesitant to commit to the Microsoft stack or the Google stack. They want flexibility. And by doing this access layer in an independent and neutral third party, they feel like they're going to have choice as this amazing platform of Agentic enterprise unfolds. So it's very exciting that we've -- the company's #1 priority now is to take



advantage of this opportunity. So we're very clear in our R&D and our go-to-market, we're going to focus on this opportunity. That's how big we think it is. So it's incredibly exciting.

**Ittai Kidron**

*Oppenheimer & Co. Inc., Research Division*

Todd, do you think that the go-to-market around this can change, meaning instead of you selling it to the enterprise actually talk to the agent companies and have them bundle already ahead of time your identity security with their agents such that [indiscernible] to do this.

**Todd McKinnon**

*Co-Founder, Chairman & CEO*

Absolutely. And we're already doing this with trying to set the industry standards around access. We've mentioned before Cross App Access, which is an industry standard around how you actually give access to these agents across multiple agent platforms, connecting to multiple end repositories of information, whether it's a database, a warehouse application. And we're really excited that the MCP standard now recognizes Cross App Access as an extension of MCP. So think about that now if you're using MCP protocol to standardize some of these interactions between agents and resources, Cross App Access fits right into that now. So it's a very insightful question, and we're working hard on that as well.

**Unknown Executive**

And just as an example for our customers, customers that are using Auth0 for AI agents to build agents will get support for Cross App Access out of the box, meaning any agents that they build with Auth0 for AI agents will be discoverable by an IDP that also supports the model context protocol. And Okta's IDP also supports cross-app access and the model context protocol. So customers developing agents with our technology will be producing agents that any company can secure more precisely. And the Okta platform will help customers discover agents that have been deployed and then manage those agents as well. So we're already well on the path to ensuring that we're productizing this opportunity using our existing capabilities.

**Dave Gennarelli**

*Senior Vice President of Investor Relations*

Let's go to John DiFucci at Guggenheim.

**John Stephen DiFucci**

*Guggenheim Securities, LLC, Research Division*

Thanks, Dave. And listen, guys, in the past, I'm going to ask the question that I think we're all going to have to answer. But in the past, you've given an early look to next year, and you didn't do that this year, which I think is the right call given how much next year depends on the fourth quarter, like Brett said. I also realize that there are other reasons to give that early look because you had other things happening at the company in prior years. But even if no new numbers, you don't give any numbers, can you give just some subjective commentary about how the world looks for Okta over the next year, just generally even because this quarter looks good. The stock is down a little bit after hours because I think what I'm saying, you didn't give that guide and people are used to it, but you'll get over that. This quarter does look good, and it sounds like there's a lot of even more traction behind the numbers happening. So just a little commentary on that would be helpful.

**Brett Tighe**

*Chief Financial Officer*

Todd, do you want to take it? I can talk to the guidance.

**Todd McKinnon**

*Co-Founder, Chairman & CEO*



I was just going to say -- one thing I was going to say about the fourth quarter is it is our big -- seasonally, it's our biggest quarter of the year. And the opportunity is tremendous for us in Q4, and we're very focused on executing that well across all the product lines and all the regions and all the ways we execute in the fourth quarter, and we're -- it's a big quarter, but we're set up to deliver success there. And so that's very optimistic. Brett, maybe you can talk about the little bit of the guidance week.

**Brett Tighe**

*Chief Financial Officer*

I was actually going to touch, John, on just the business momentum before I get into the guidance because I think that's more of your question than I'm happy to get into, which is, look, Q3 was another really solid quarter for us. You heard Todd talk about it, me talk about it. I'm sure Eric will touch on throughout this call. But we're pleased with the traction that specialization is getting. We're seeing that a productivity number, the number you've heard me talk about for years now, get into a region that we're quite pleased with. Yes, it's not perfect everywhere, but it is exciting to see it from an overall perspective because that means the specialization is working, and we're excited about that.

And what that's doing is giving us -- that's giving us confidence to be able to start to add more reps into the system. So you know for a while, that's something you and I have talked about and a bunch of us on this call have talked about is, do we have the right amount of capacity out in the field to be able to address the demand. And so we started adding capacity last quarter. We've added more in Q3. We're going to add more in Q4. We expect to add more in FY '27. So that tells you we have confidence in the opportunity for a whole host of reasons, right? It could be what Todd has talked about earlier, Okta Securing AI is a massive opportunity for us. You can talk about the other new products like Governance, PAM, highly regulated identities on the Auth0 side, we feel like the organization is headed in the right direction.

And that's why you see us growing sales and marketing expense the last 2 quarters year-over-year. That's something you haven't seen in a while because we're having that confidence in the organization to be able to go out and address this opportunity. And so we're excited about what we're seeing in the business. And so hopefully, that gives you more of the context. I'm happy to talk about the guidance. I mean, I can get into that for a second, just so we're all on the same page. Todd touched on it a second ago, because Q4 is so large, it creates a need for us to be able to embed an amount of conservatism in there that makes a guidance 5 quarters out, not that helpful. And frankly, the whole point of guidance is to be helpful. And if it's not helpful, we shouldn't do it.

So we're not going to do it this time, and we will update all of you after we get past our seasonally largest quarter of the year at the end of Q4. And so then we can give you a much cleaner look at the world and not have to embed some conservatism associated with our largest quarter. Now with that said, John, I got to bring up current RPO because I know we've got to talk about it. And if you look at -- if you want a number for FY '27 or if you want to approximate a number for FY '27, I would take a look at the Q4 guided current RPO and apply a coverage ratio to it. That annualized coverage ratio, you guys have all heard me talk about for the last few years. Go ahead and take current RPO, divide it by the coverage ratio and then add some professional services on the top, and that's going to get you to a rough approximation from a revenue perspective.

Now obviously, the formula -- the piece of the formula I haven't given you is the coverage ratio. That coverage ratio, I probably would use something in the region of FY '26. So hopefully, that gives you a little bit of, John, on how the business is doing and why we're excited and optimistic about Q4 and frankly, beyond Q4 and also a little bit why we decided to hold off on giving a guidance for FY '27 because we didn't feel like it was being helpful to all of you anymore.

**John Stephen DiFucci**

*Guggenheim Securities, LLC, Research Division*

That all makes sense. I really appreciate all that.

**Eric Kelleher**

*President & COO*

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Yes. Just a little added color commentary to Brett's comments as well. The -- we have talked throughout this year on the changes we made in February in go-to-market to specialize in the platforms. And we've talked about one of the key reasons for that strategy is we had decided that specializing on the buyer persona was important, but also that our pace of product innovation on both the Okta platform and Auth0 platform had accelerated to the point where it was just really hard for one seller to keep pace with all the capabilities coming out in the platform. And we talked in Q1 about how we were on track for our plan for this year to implement that change and absorb the cost of change management. We talked about having a solid Q2. You've heard us here talk about a solid Q3. One indicator that we've shared of how successful we're being executing that strategy, what Brett talked about earlier that our AE attrition right now is near a multiyear low and our 8-year tenure is near a multiyear high. And AE productivity is sequentially increasing. And so when we think about how we're doing -- implementing that significant shift in territory assignments and account assignments and in go-to-market motion overall, we've got a lot of indicators that this strategy is the right strategy for us. And it's also created space in our sellers to be able to take on new initiatives -- like we're talking today about Okta Secure's AI and just how impressed we've been with how much that story is resonating for our customers right now is a hugely strategically important need. We can attack that need now because we've got more focus on that particular use case for that particular buying persona. So we're very optimistic on the strategy playing out.

**John Stephen DiFucci**

*Guggenheim Securities, LLC, Research Division*

That makes sense, Eric, thank you and it's showing -- it's showing, thanks.

**Dave Gennarelli**

*Senior Vice President of Investor Relations*

Okay. Next up, we'll go to Fatima Boolani at Citi.

**Fatima Aslam Boolani**

*Citigroup Inc., Research Division*

Can you hear me okay?

**Todd McKinnon**

*Co-Founder, Chairman & CEO*

Yes, loud and clear Fatima.

**Fatima Aslam Boolani**

*Citigroup Inc., Research Division*

Todd, this one is for you. We've been really fascinated with the broader themes around agentic commerce. So I wanted to get your pulse on where the portfolio is most relevant to capitalizing on that opportunity? And where do you see effectively your customer identity business playing a very meaningful role in that? And I guess, Eric, just to even loop you into the conversation, how are conversations with customers trending with respect to building a stack behind some of these really interesting opportunities that are going to unfurl in the next couple of years?

**Todd McKinnon**

*Co-Founder, Chairman & CEO*

I think it's a big deal. I think Agentic Commerce and if you have a website and you -- that's doing customer support or e-commerce commerce, you're going to have some version of agents on there very quickly if you don't already. And if you're building those agents, Auth0 for AI agents is the right solution. It shortcuts the ability to have those agents connect to multiple systems on the back end. It helps you put Fine Grained Authorization inside of your agentic flow. So it's purpose-built, and we're -- I think it's a big trend we're talking about here. It's the same trend we're talking about here, whether you're managing agents for internal deployment to help people get work done in their enterprise workflows or in your B2C use cases moving toward a more agentic interface versus the person interface in the past. It's the big trend we're talking about.

**Eric Kelleher**  
*President & COO*

Yes. And I'll add to that. We talked about at our -- in the quarter at our user conference, Octane, we talked about the customer conversations around this challenge. And we shared a survey that we had run of a few hundred enterprise customers reporting that 91% of them had agents in production and only 10% of them were confident they had them secured. The need is very acute and it's very urgent and it's a key reason why this is elevated to such a prominent conversation. Todd talked about one example of where our customers are struggling with this in Fine Grained Authorization. So for builders of agents, they need to solve for at least 2 distinct challenges. One is ensuring their agents can be discovered.

And the second is ensuring that agents are only authorized to do specific things that they have access to specific corporate assets and not others. And Auth0 provides the capabilities to solve both of that with support for Cross App Access and model context protocol, agents built through Auth0 can be discovered and managed properly. And Auth0's Fine Grained Authorization allows agents to be built in a way that their privileges can be very finely tuned, which is hugely important to our customers in that space. But the second part of that challenge that our customers have is they don't know. They tell us they don't know what agents are deployed in their environment. They don't know what their users have turned on and what their users' agents don't have access to.

And this is the challenge of discoverability and being able to discover agents. So our -- on the Okta platform side, our Identity Security Posture Management product scans corporate networks to find service accounts and the privileges of those service accounts, but it will also now help discover agents that are implemented and deployed as long as they support the Cross App Access protocol, the extension to MCP. So the problem of discoverability is something they need help with, and we're well positioned to help them with that. And the other related challenge is not only knowing that they exist, but then protecting the identity of those agents to ensure the agents can't themselves be impersonated by a threat actor and to ensure that those agents are properly authorized to take the actions that they're attempting to access.

So the Auth0 platform on the build side is hugely important for our customers and the Okta platform on the Discover and manage side is important for them as well. That also includes things like privileged access, allowing the agents to have tokens that are appropriately vaulted and governance, having them provisioned and be provisioned based on just-in-time requirements. So they don't have agents live withstanding privileges when they don't need to be standing.

**Fatima Aslam Boolani**  
*Citigroup Inc., Research Division*

I think you should see the commercial impact in both your businesses as opposed to what intuitively I would think would just be on the customer identity side.

**Todd McKinnon**  
*Co-Founder, Chairman & CEO*

Yes. I think, Fatima, I could think of a meeting I just had a couple of weeks ago, and this was how it all comes together. So there's -- this company is a large mortgage company, online mortgage company. And they think about it as when people come to their website and they start browsing for mortgages, and they answer the customer's question in agentic workflow. And then it actually flows all the way through their origination business on the back end, which is very much enterprise workflows where people have to use human in the loop system to make approvals for mortgages that are over a certain amount.

They have to maybe automate entirety of the mortgage process so they can fulfill it without anyone, any person. So it's like external facing on their website in a B2C, and it also goes all the way back into the enterprise. And they want that all to come together. And the business value for them is very simple. It's their conversion rates on the mortgage is up 5x if it's -- there's no delay. There's no delay in the approval or they don't have to go for some other thing. So it's a very clear ROI. And before they were talking to us, they're really stuck on these questions we're talking about, like how do we make sure that we -- the consumer-facing agent has the right access to the back-end systems? How do we make sure that the enterprise-facing agents have the right permissions as we automate some of those workflows and don't

over give overly permissive access to these agents and the enterprise all comes together in that very concrete example.

**Dave Gennarelli**

*Senior Vice President of Investor Relations*

And next up is Josh Tilton at Wolfe.

**Joshua Alexander Tilton**

*Wolfe Research, LLC*

Brett, not to put you on the spot here. I do appreciate the color on how to think about next year's revenue. But to kind of simplify it without the math, bookings growth year-to-date is kind of growing where Street is for revenue growth next year. So like how do we think about that? What you're doing so far this year, what it implies for next year? Are you comfortable with where the Street sits? But I'm just trying to understand bookings growth has been good. It's kind of in line with the implied or where the Street is for revenue next year. Like how do you feel about where -- the Street sits today?

**Brett Tighe**

*Chief Financial Officer*

I think in general, if you were to take our comments and boil them into a couple of little simple things, which is, one, you can feel the business momentum growing, right? Eric talked about it a few minutes ago around how we had to make some changes at the beginning of this year to further specialize the field. You can feel that business momentum growing as we go into Q4. And we think that, that business momentum on the back of us specializing the field is helping in addition to the market seems to be in a good place for us for all these new products, whether it's Okta Securing AI, whether it's Governance or all these new products that we've talked about over the last several quarters.

So I don't have an exact answer for you in terms of where the Street is and bookings growth and all that sort of stuff. But the really important thing is you can see the growing confidence in the organization and you can see the productivity, you can see the optimism. You can see all these things headed in the right direction, and that's why you can kind of hear the tone from the 3 of us and the way we've been talking about it throughout this call as being very positive, and we feel like the goal that we've been talking about for a while of accelerating growth in the medium term is something that is on the horizon for us, which is exciting. I'm not saying when it's going to happen or how it's going to happen. I'm just saying that we do feel that, that business momentum is headed in the right direction, and that's why we're adding capacity, like I said a few minutes ago, to go out and address that demand.

**Dave Gennarelli**

*Senior Vice President of Investor Relations*

Next up is Jonathan Ho at William Blair.

**Jonathan Frank Ho**

*William Blair & Company L.L.C., Research Division*

I wanted to see if you could update us a little bit on your sales realignment efforts earlier this year and how maybe the product suites have had an effect on that go-to-market. Lastly, how do we think about sort of the pace for net retention over time? It's been sort of sitting at this 106% level for a bit. I know that's from prior periods, but how do we think about maybe the mechanics of that recovery?

**Eric Kelleher**

*President & COO*

Jonathan, I'll take the first part of that question. I'll let Brett take the second part. The go-to-market specialization for us, as we've said throughout this call, we feel it's been very effective. And there's a few ways that, that has played out for us. On the front end, the top of the funnel, we have specialized our demand gen teams for their brand generation work, their pipe generation work, and we are pleased with the pipe that we've been able to generate in the business. We also have had more focus on our distinct

personas. So we've had an opportunity in our field to get closer to the very specific granular needs of our CIO and CISO buyers and of our developer buyers.

And we've been able to focus our R&D efforts on the Okta platform and the Auth0 platform on those personas. And so we've seen significant innovation improvements tying specifically -- more specifically to a discrete buying persona, which has allowed us to continue to capture market, things like Okta customer identity which we talked about last quarter, has really come back as part of our refocusing on the Okta platform for the enterprise buyers. So that specialization has been very helpful. One of the questions this group has raised in prior quarters is how the field organization was feeling about specialization, whether they felt this was a positive, a positive or something that was a concern to their ability to be successful.

And as I mentioned earlier, we're seeing right now our sales attrition is near a multiyear low and our sales tenure is near a multiyear high. So we're feeling very confident in not only in the model's capability to produce financial results, but we're feeling very confident that our own field organization is very engaged and feels that they're being successful in this model, which is what we expected, and we're pleased to see it playing out the way that we expected.

### **Brett Tighe**

*Chief Financial Officer*

Yes. Okay. So I'll talk about NRR in a second, Jonathan. But one thing that Eric was saying, maybe think of around the specialization, one of the reasons why the new product introduction percentage has remained quite healthy as a percentage of total bookings, we've talked about it over the last 3, 4 quarters is because people are starting to really get into the details on the product to be able to sell it directly to a specific economic buyer, and it helps them just be more familiar with. Anytime you're more of a familiar with something, you're probably going to be better at.

And so that's been the theory behind why we did this, and it seems to be playing out in that regard. In terms of the NRR, the one thing I would say before we get into NRR is gross retention remains healthy. It's one of those things that we're quite proud of, and we expect to continue over the long run with that given the value that we drive for our customers day in and day out. In terms of where the range is and where it could be, 106 is right in the range we've talked about. You've heard me talk about it every quarter for a while now, and this is where the range we thought it was going to be. So it's traveling in the range that we expect it to be. We probably think it tracks in this range or we do think it tracks in this range for Q4. I don't have a great answer for you beyond that, Jonathan, because we are still early in our fiscal year planning. But obviously, if we want to grow faster, this is something we're going to focus on because it's on the back of that strong gross retention, how can we keep doing these upsells and doing more NPI and more Okta Securities AI to be able to help ourselves in that number over the long run. Obviously, there are dynamics that go in there, like if we sell more new business, it's a little bit of a headwind to new NRR. And if we sell more upsells, it's a tailwind. So there's always a balance in that number that we should keep an eye on when we're looking at the overall total business.

### **Dave Gennarelli**

*Senior Vice President of Investor Relations*

Next, we'll go to Annick Baumann at Jefferies.

### **Annick Jana Baumann**

*Jefferies LLC, Research Division*

I'm on for Joe Gallo today. Brett, you've been very candid in the level of prudence and guidance the last couple of quarters, but you've also seen larger beats historically in 4Q over the past couple of years. So can you comment on the puts and takes to guide in 4Q? You've talked about conservatism there, but just the puts and takes to it. And then also, is the guidance framework still in line with what we've seen historically?

### **Brett Tighe**

*Chief Financial Officer*



Yes. I mean, just in general, just to answer your second question first, we're still trying to get closer to the pin. Now we had a nice beat this quarter on current RPO because the team just flat outperformed. They did a really nice job. And so I'm happy to be wrong in that situation. But we want to get closer to the pin. That's been our stated goal now for several quarters. And if you look at Q4, we've removed any specific line items. Right now, it's just down to market conditions and our own internal expectations. So it's real simple, and we're looking forward to executing in Q4 as best we can because you've heard us talk about it. It is our seasonally largest quarter, and we want to finish a strong FY '26 with the bank.

**Dave Gennarelli**

*Senior Vice President of Investor Relations*

Great. Next up, we'll go to Shrenik Kothari with Baird.

**Shrenik Kothari**

*Robert W. Baird & Co. Incorporated, Research Division*

I think there was a question on consolidation and then a lot on agent. Try to combine the 2, I believe as you guys head into '26 kind of planning cycles and I think, Todd, you did mention there's a desire for a single control plane to manage agentic as well. Are you seeing signs that buyers are also thinking about consolidating AI governance around the vendor? And just based on whatever you saw so far in terms of those 100-plus engaged customers, can you walk us through like the typical conversion time line from interest towards the ACV and booking ARR?

**Todd McKinnon**

*Co-Founder, Chairman & CEO*

Yes. You're right. The 2 trends are very related. This thinking about the agentic future for these customers and then thinking about what that means for their identity stacks in the short term. We're working with one of the largest Fortune 50 customer of ours on a wholesale replacement of Ping Identity, SailPoint, CyberArk, and several other identity vendors across their whole stack to standardize on Okta products. And the driver there is 2 things. It's cost. They wanted to have less cost in their environment, and they want to have more better functioning and greater products. That's part of the driver. But the bigger driver was actually something very simple, which is this company has 5,500 applications. And only all these years with these legacy vendors, they only had 1,500 of them hooked up to their central identity system.

And so they're thinking about agentic future where they want to give their agents and their agent infrastructure access to every application that they have, and they only had a paved path for 1,500 of them because they only were able to get that many on their identity platform with the old technology. So when they think about standardizing, they think about moving all 5,500 applications to Okta. And then that cuts costs. It makes the system work better because governance is integrated to access management is integrated to privilege, but more importantly for them, I think it enables the agentic future where they can give access in a controlled govern managed way at all these agents doing all these workflows that's behind a standard IDP. So they're all kind of interrelated, but I think they all point north for Okta, which is a very good position to be in.

**Dave Gennarelli**

*Senior Vice President of Investor Relations*

Next up, we'll go to Brad Zelnick at Deutsche Bank.

**Brad Alan Zelnick**

*Deutsche Bank AG, Research Division*

Great. Nice to see everybody. Guys, in Q3, I think you've added more head count this quarter than you have in 3 years, which I take as an expression of confidence especially knowing how developed followers you guys are about Rule of 40, and that's in addition to a lot of other constructive commentary tonight. But just to follow on DiFucci's question and Josh Tilton's question as well, if I take, Brent, your comments on CRPO coverage ratios, quick back of the envelope gets me to like 9.5% revenue growth for next year. And I just want to make sure that I heard you correctly and I'm interpreting that right?

**Brett Tighe***Chief Financial Officer*

The simple math is just current RPO, right? When you take the coverage ratio on the coverage ratio, just to make sure everyone is clear on what that is, let's say we can -- let's calculate the FY '26 coverage ratio together. All you do is you take Q4 FY '25 current RPO and you divide it by.

**Brad Alan Zelnick***Deutsche Bank AG, Research Division*

It's the guide or the actual.

**Brett Tighe***Chief Financial Officer*

No, I'm saying for the coverage ratio that you're going to apply to current RPO, right, because it's current RPO guidance, time to coverage ratio plus professional services. Okay. So you've got Q4 current RPO guidance, we just gave it to you, right, \$2.45 billion. The coverage ratio is the most important factor in the math that you don't -- we don't have an exact number for, but I'm trying to give you a rough approximation. And if you wanted to use, you don't have to use FY '26, but it's the closest in years, so it makes sense or somewhere in that ZIP code. So the FY '26 version, all it is, is Q4 FY '25 current RPO, which was \$2.25 billion and you divide that by the FY '26 subscription revenue, and that's going to get you a number. We haven't given you a guide for subscription revenue, but you can figure it out, Brad. It's pretty easy. That number is probably about 79% or thereabouts. And then you just put that in the formula. And then professional services, I think you guys can come up with a rough estimate. And then that's all you do. So Q4 FY '26, \$2.45 billion divided by \$0.79 plus whatever we're going to put in for professional services. I'm giving you advice to use FY '26 as a rough approximation. I'm not saying that's what you have to use, just seems logical given us the closest year to what we're about to do in FY '27. That's all.

**Brad Alan Zelnick***Deutsche Bank AG, Research Division*

Totally get it, and I appreciate you making it very clear. Maybe just on the other part of my question, when I see you guys hire like this, it really, to me, makes a statement, and I want to make sure I'm interpreting that signal the right way. Am I to assume that the bulk or strong mix of those headcount adds are go-to-market? Is there anything else to know about the composition of all those heads that you've added in Q3?

**Brett Tighe***Chief Financial Officer*

Yes, it's a mix of both go-to-market because what we've talked about already today. And then also continuing to add into some of the lower-cost regions to be able to bulk up the capacity in places like R&D or other areas that can help us be able to build product faster or in G&A to be able to become more efficient and be able to come -- get through things faster. So it's really a variety of areas for us, but it's really go-to-market and then lower cost regions are really the 2 places that we're adding. You're on mute their Brad. Brad wanted to dive in. So I felt like it was necessary.

**Dave Gennarelli***Senior Vice President of Investor Relations*

All right. Next up, we have Yun Kim at Loop Capital.

**Yun Suk Kim***Loop Capital Markets LLC, Research Division*

Todd, so for some of the early adopters of AI agents that you're working with, are these agents from software vendors like Salesforce and ServiceNow? Or are they custom developed AI agents? And is your approach to securing AI agents different for these 2 type of agents given that Auth0 for AI agents is really targeted at developers?



**Todd McKinnon***Co-Founder, Chairman & CEO*

It's a really good question. And it's -- every customer we talk to, it's -- they're worried about all of the above. I would say that the actual most concrete implementations are agents they built themselves. I think that the deployment from the -- some of the packaged application vendors you talked about are maybe a little bit more behind in terms of deployments. But the ones -- the companies that are building their own, that's their first and foremost concern. But everyone is concerned about -- they know it's going to be a multi-platform world in this -- there's so much value to be delivered. There's so many frameworks, there's so much innovation.

There are so many models. They understand it's going to be a multi-platform world, which is why our message is really resonating, which is like, hey, if you get identity security and agentic security is absolutely critical. You can't just give agents access to everything. You have to govern and control and monitor the access. Now if you choose to do that in one security platform or one cloud platform, everyone understands that you're going to be -- it's going to be strong lock-in, and you're going to be stuck with those models, those frameworks and have gravity in that environment. And people are leery of that because they know that it's a fast-moving environment. And they -- it'd be kind of like -- when I talk to customers, it'd be kind of like you had to choose one streaming platform, you just won and you couldn't switch. What would you choose, right? You'd be careful because all the good stuff is on the other one. And if you choose Netflix, you want to go over to Prime, you choose Prime, you'd want to go over to Paramount, and they don't want to choose one platform. They want flexibility. They want to be able to use different platforms and pick the best content off a different platform. So that's really resonating with customers, which is what's driving this interest, which is why we're working so hard to capitalize on it.

**Dave Gennarelli***Senior Vice President of Investor Relations*

Next, we'll go to Mike Cikos at Needham.

**Michael Joseph Cikos***Needham & Company, LLC, Research Division*

I just wanted to come back to the net retention comment and understood on -- you guys were in that ZIP code around the 106. But I think historically, the company has not incentivized or split up the team between hunters or farmers and allowed sales reps to choose how they want to retire quota. Can you just provide an update for where we are in thinking about the sales capacity you're hiring? Are we thinking about setting up a specific team focused on new logo acquisition or first orders? Or is it still I guess, let the reps choose. Are we putting in place any sweeteners of any kind? I just wanted to get an update on that front.

**Eric Kelleher***President & COO*

Yes. Thanks, Mike. We have, in fact, started looking at and carving territories for new logo acquisition. We announced a year ago that we were bringing a hunter farmer assignment into, at that time, our U.S. commercial business. And we talked last quarter, then 6 quarters into that change, how that was progressing. We're very pleased with the productivity of how that's been carved off. That was in the U.S. commercial business. We have not extended that into our enterprise business yet. We're seeing rather the focus of platform specialization on the buyer is allowing our reps to balance both new logo acquisition and getting deep within their existing accounts, but that's always something that we look at. And as we look for opportunities to expand new logo acquisition, thinking about adding hunter capacity as part of our planning process every year.

**Michael Joseph Cikos***Needham & Company, LLC, Research Division*

Excellent. I'll keep it to one.

**Todd McKinnon***Co-Founder, Chairman & CEO*

Yes. I think a lot of the growth and a lot of the focus and planning is on larger deals. You saw the cohort of \$1 million deals despite in Q3 grew 17%. Very excited about that. And in general, a lot of our growth and focus is going to be on larger deals. Sometimes with our products now that can be in a segment of smaller customers, but most of the time, it's in a larger enterprise or strategic account patch. And so just in general, that's where the business is going. That's where the growth is, and that's where we're investing.

**Dave Gennarelli***Senior Vice President of Investor Relations*

Let's go to Tomer Zilberman at BFA.

**Tomer Zilberman***BofA Securities, Research Division*

Yes, I think you've previously spoken about the opportunity to price agentic as an extension of a per seat license. But we've been hearing in the market some concern around seat count reductions at customers. So one, as you think about your opportunity next year and you're doing your planning, are you seeing any concern around that with your customers? And two, how do you think about the offset of any potential reduction of headcount versus the opportunity to upsell agentic?

**Todd McKinnon***Co-Founder, Chairman & CEO*

The agentic products are priced similarly to our current products. Our current products are priced per user, the agentic products are priced per agent. So sometimes that can be a one-to-many relationship. You might have a few agents for a person. Sometimes they might be agents on their own. So I think we're set up in a way that gives us flexibility as these things evolve in terms of how companies want to deploy agents to augment headcount, what they want to -- how they want to deploy agents at the front end of processes before it ever gets to a person. And this is one of the advantages we have with all these customers and all this interest, we can figure this out quickly. And we can iterate on this quickly, and that's how we've gotten to this pricing model because this is a new thing. It's exciting because a lot of the traditional vendors, it's like being locked in or being owning a certain market, it's not owned yet. We have the opportunity to win this massive new market, and it's -- we're well positioned with the customers and with the products and with what people expect us to do. We're going to go out and define it and win it, and it's going to be really exciting to do that.

**Eric Kelleher***President & COO*

And the other comment I'd add to that, Tomer, is we feel very well diversified from a use case and product perspective. So to the immediate question, we are not -- like everyone, we're looking at what changes will happen in the global workforce at companies as they lean more on AI and technology to run their businesses. We're not yet feeling a material headwind from -- you mentioned seat reductions in the business. But were we to see that, we're confident in our customer identity business offsetting that. We're confident in our agentic identity business offsetting that. So in the aggregate, we view this shift in the industry as net upside for Okta. And everything you've heard us talk about in our product strategy today and our focus of innovation and the conversations we're having with the customer is embracing the extended opportunity to help them solve an emerging very acute urgent customer need for securing agentic identity. But we see that as upside to the overall business, not as just replacing the existing business.

**Dave Gennarelli***Senior Vice President of Investor Relations*

Next, we'll go to Joe Vandrick at Scotia.

**Joe Vandrick**

We got Joe Vandrick on for Patrick Colville here. Todd, you mentioned a surge in inbound interest for managing agents. So can you talk about what's getting more traction? Is it the Auth0 solution or the workforce side? And then what do you think represents the larger opportunity and why?

**Todd McKinnon**

*Co-Founder, Chairman & CEO*

I think it's -- they're both getting about the same amount of traction. I think the -- it's a little bit different. I think a lot of the interest in the Auth0 for AI agents, it's more online, people find out AI developers, right? So they find out about it on the website. They do self-service, upgrade to enterprise. It's a little bit of a different motion. The Okta for AI agents, which is for IT and security, it's very much have an enterprise architecture with a CISO or security influence buyer or an IT influence buyer. So they're both getting interest, but it's pretty early on both of them. It's -- we resist the urge to draw too many patterns on the couple of months that's really been out there in the market.

And we're really priding ourselves on being able to iterate quickly and adjust as we define this market and make sure we not only deliver something incredibly value for customers, but something that will take advantage of both of these personas, which is IT and security on one side and then developers on the other.

**Dave Gennarelli**

*Senior Vice President of Investor Relations*

We've got about 4 minutes left. Let's try to get the last 3 questions. Next up, we have Rudy at David & Co.

**Rudy Grayson Kessinger**

*D.A. Davidson & Co., Research Division*

Brett, I want to go back to the comment in the script on sales productivity. You said you are continuing to see improvements there. Is that -- was it improved quarter-over-quarter? Was it improved year-over-year? I'm curious on that. And then secondly, on the sales hiring front, certainly, we've seen that. Your sales job openings are up over 100% year-over-year in the last couple of months in our data. What is the level of sales capacity additions you're planning to add? I'm not sure what time frame you want to use last quarter through Q1? Or just what's the level of sales capacity addition you're looking to add as you think about the FY '27 plan?

**Brett Tighe**

*Chief Financial Officer*

Yes, absolutely. And I'll let Eric step in a little bit here, too, on productivity. But to answer your question, it is up quarter-over-quarter and is up year-over-year. So see all of the above, really, which is a good sign for us. And also at the same time, like I said, we added capacity in Q3, and we started to add capacity in Q2. In terms of the exact numbers of how much we're going to add, we're going to be methodical about that. We want to make sure that we are maintaining high productivity and not overdoing it in terms of adding in capacity because as Eric told you a second ago or whatever, 20 minutes ago, our AE attrition is quite good right now. Our tenure is quite good. We don't want to disrupt that. And so we want to be methodical in our approach to add the capacity into the system, make sure it works and then move on, evaluate the success and then step on to the next level of what we think is possible because we do have a great field right now. We are very confident. -- actually should have said at the beginning of the call, a great job by the sales team and all the go-to-market teams in Q3, and we look forward to having them execute in Q4. So yes, I think that pretty much covers it, Rudy. I don't know if, Eric, you'd have anything else to add.

**Eric Kelleher**

*President & COO*

You hit the key points. I would say, in addition to productivity being up, it's implied with your comments, Brett, but attrition is down. And so from a field engagement standpoint, we feel quite positive with our

team's ability to be successful and their belief that they can be successful. So as we add capacity, we want to make sure we add it in a metered fashion to ensure that we're confident our field continues to have the opportunity to be very successful with Okta. So that is an important part of our philosophy because we don't want to see a return where attrition starts to creep back up. We want to keep our tenured reps because they're much more productive.

**Dave Gennarelli**

*Senior Vice President of Investor Relations*

Next, we'll go to Taz at ROTH. Taz, you there? Not. Let's quickly go to Gabriela at Goldman.

**Unknown Analyst**

I'm here. Can you hear me?

**Dave Gennarelli**

*Senior Vice President of Investor Relations*

There we go.

**Todd McKinnon**

*Co-Founder, Chairman & CEO*

Let's go to Gabriela and then we go finish off with Taz.

**Gabriela Borges**

*Goldman Sachs Group, Inc., Research Division*

Todd, I wanted to ask on this topic of agents that are bespoke versus from the packaged software vendors. As and when we start to see adoption from the packaged software vendors, how do you think about the identity functionality that may be embedded in the application? And this is in the context of ServiceNow announcing their plans to acquire Veza this morning?

**Todd McKinnon**

*Co-Founder, Chairman & CEO*

Yes. One of the interesting things about being the clear leader in identity security is we kind of have a right of first refusal on all the acquisitions. So we looked at Veza. It's interesting. It's a pretty narrow use case in terms of identity management. And the big picture idea is what's going to be like the system of record for access. And to do that, you really have to have an IDP sitting in the middle of the transaction to really get the governance and control. So I think you're going to see what's played out a lot of times over the last 10 years, Gabriela, is every platform company is going to try to take their own identity from their own platform and make it generalizable. Sometimes they'll buy something, sometimes they'll try to build it themselves, but it's really hard to cover all the use cases and cover all the integrations to all the different systems and environments if you're not totally focused on it. And I think you'll continue to see that benefit us for a long time.

**Dave Gennarelli**

*Senior Vice President of Investor Relations*

Okay. We'll take the last question from Taz at ROTH.

**Unknown Analyst**

I got 2 questions. Todd, first one for you. You mentioned the customer example with a large AI deal. And my question is, can you talk about the -- you spoke about one-to-many relationship between humans and agents. Can you talk about what that was in that scenario? And maybe kind of bake off a competitive landscape, like who are the other players involved in that deal for AI security?

**Todd McKinnon**

*Co-Founder, Chairman & CEO*

Yes. I think just -- it's pretty simple. I think a lot of companies think about agents as like software engineering is a great example. As a software engineer, you're going to have 10 of these agents working for you all the time. They're going to be reviewing code. They're going to be doing security reviews. They're going to be checking code in. They're going to be running tests. And that -- all those agents are going to be working on your behalf in some cases and have their own identity and others and it's just having the flexibility to support all those different use cases in addition to agents that would just run on their own. Your customer support agents or your agents sitting on your website accepting commerce are going to be on their own. They're going to need access control, but they're not bound to a user until maybe it gets lowered down in the workflow so.

### **Unknown Analyst**

What's that relationship being like in the example that we've seen so far, what is it like 1 to 10, 1 to 20? And if you compare the human agents that you have, the human entities that you have versus the agents that you secure, is that number -- is there a ballpark number that you have seen so far in the companies that you've sold to?

### **Todd McKinnon**

*Co-Founder, Chairman & CEO*

I think it's like 5 to 10 per person.

### **Unknown Analyst**

Got it. Brett, just one for you. Even as growth has slowed down in the last few years, margins have gone up quite a bit. And if you look at your margins plus revenue growth, you've always been above that Rule of 40. Should we expect that to continue going forward in fiscal '27? Do you expect that Rule of 40 to sustain? I know you didn't give us a revenue guide, you gave us some ballpark guide. But combining that with what to expect for free cash flow multiple margin next year, should we expect that Rule of 40 to sustain going forward?

### **Brett Tighe**

*Chief Financial Officer*

Yes. I mean, from an overall perspective, we are going to continue to employ the Rule of 40 framework when we manage the business, something we've been quite consistent with, I guess, is probably the right way to put it. And as you said, we have had a tremendous amount of margin increase over the last 3 years. Thank you for saying that, Taz. I really appreciate it. But when we look at the overall formula, and I'm not going to be able to comment on what we're going to do next year for FY '27, let's get through the plan and let's get through Q4 and see how everything goes. And then I'll give you an update then.

But ultimately, when you think about it, we want to lean into the growth side of the equation more. You've heard us talk about that. That's been our goal is to accelerate growth for quite some time. You can hear the optimism from the call today about that desire and confidence. And so we're still going to manage through that Rule of 40, and -- but we really want to lean more into that growth acceleration side of the house. And once we have our finalized plans for FY '27, I'll be able to give you some more succinct detail at the next earnings call.

### **Dave Gennarelli**

*Senior Vice President of Investor Relations*

Well, thanks, everybody. But before you go, I just want to let you know that Okta will be hosting several on-site and virtual bus tours in December and January, and we'll also be attending the Virtual Needham Growth Conference on January 8. So we hope to see you at one of those events. Thanks.

### **Todd McKinnon**

*Co-Founder, Chairman & CEO*

Thanks, everyone.

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