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# Call Participants

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# Presentation

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**Dave Gennarelli**

*Senior Vice President of Investor Relations*

[Presentation]

Hi, everyone. Welcome to Okta's Fourth 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 the 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 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 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 with the strong finish to FY '26, which was highlighted by continued strength with large enterprises, partner engagement and contribution from our newer products. Identity is fast becoming the most important aspect of security with AI acting as a catalyst.

In today's call, I'll cover the success we're having with our new products, how Okta secures AI, including some early success we're having in that new market and close with our top priorities for FY '27. We continue to see strong performance from our portfolio of new products. This group consists of Okta Identity Governance, Okta Privileged Access, Identity Security Posture Management, Identity Threat Protection, Okta Device Access and Fine-Grained Authorization.

And new to this group are our products, Auth0 for AI Agents and Okta for AI Agents. The value of a unified identity system with a single control plane is resonating with customers. In aggregate, these new products represented approximately 30% of Q4 bookings, which is a meaningful increase from prior quarters. And when these new products are included in a deal, the average contract uplift is approximately 40%.

Okta Identity Governance continues to be the biggest of these new products and is building on its early success. OIG now has over 2,000 customers. That's remarkable progress in just over 3 years and it underscores the market demand for a modern governance solution. Customers are choosing OIG because it's a full IGA cloud-native solution built into our unified platform, not a siloed point solution.

I mentioned that our portfolio of new products now includes our AI products, Auth0 for AI Agents and Okta for AI Agents. It's still early for this developing market, but as the leading modern identity solution for workforce and customer identity, Okta is uniquely positioned to help organizations combat the growing security threat that AI agents represent. The reality is that the AI revolution has moved faster than today's security frameworks.

According to Okta's AI at Work report, 91% of surveyed organizations are already using AI agents, but only 10% have a governance strategy in place. In meetings that I've had with customers and prospects over the past 6 months, the vast majority of the conversations revolve around their AI initiatives and how Okta can help them build and manage agents securely.

As AI becomes embedded in more workflows and automations, the growing number of exploitable entry points from nonhuman identities to unsecured integrations expand the attack surface for threat actors. It's clear that in order to get AI right, you have to get identity right. Okta was built to meet this challenge. Identity isn't just a feature for us. It's our foundation. AI agents are simply a new identity type and protecting them is a natural extension of what we do best.

Okta's neutral and independent identity solution is uniquely positioned to secure and govern the entire agentic life cycle and gives customers the freedom to deploy on any agent platform without ecosystem lock-in, all while strengthening their security posture. Our two-pronged solution with Auth0 and Okta for AI Agents treats AI agents with the same importance as humans and gives customers everything they need to secure this powerful new technology.

We're still in the early stages, but we believe that in a few years, agents and agentic systems won't be the exception to how enterprise software is built and operated. They'll be the rule. We believe that AI agents represent nothing less than the future of software. That's why AI security is identity security. I'd like to highlight a couple of AI deals we closed in Q4 that illustrate how we're addressing the AI market. An existing Auth0 customer is building AI agents as part of their leading financial services platform.

These agents will help the firm's advisers make better and faster decisions. But to do so, the agents need access to sensitive customer information, which must be least privileged, and they need to work with existing systems and third-party services inside the financial institution. The customer picked Auth0 for AI Agents as it met their stringent requirements for a secure, extensible platform to build and deploy agentic systems.

They needed a solution that offered enterprise-grade identity for humans and agents while providing secure access to third-party MCP servers, all while acting as a single source of truth. Another notable deal that included Okta for AI Agents, which became available in early access in January was with a top global business and technology services provider.

They chose Okta for AI Agents to help them discover, control and govern identities for their growing sprawl of agents. Rolling out AI agents across multiple agent platforms is key to their ongoing transformation and centralizing agentic identities in an independent agent-agnostic platform like Okta will strengthen their cybersecurity posture. This is the very beginning of the AI opportunity.

Building and protecting AI agents is inherent to Okta's position as the world's system of record for identity management. With our solutions, developers, administrators and IT teams can ensure that the entire life cycle of an AI agent from initial design through active deployment is observable, governable and secure. For more information on how Okta secures AI, be sure to register and join our showcase event on March 16.

In this live streamed event, you'll hear from myself as well as our AI product leaders as we unveil our latest innovations for AI agents. And finally, I always like to take time on the Q4 call to share our priorities for the new fiscal year. It shouldn't be surprising that all of these priorities are focused on driving growth.

The first priority is Okta Secure AI, which is all about how we win, grow and become the standard for securing agentic AI.

By building on our early success with Okta and Auth0 for AI Agents, we will further our vision of freeing everyone to safely use any technology. The second priority is increasing our focus on landing bigger and growing faster with large customers. We want these organizations to think of Okta first when it comes to identity security and securing AI. This is a global effort across both the Okta and Auth0 platforms.

And our third priority is becoming the default identity security solution for the U.S. federal vertical and highly regulated industries. The public sector has been one of our fastest-growing verticals over the past couple of years, but we've only begun to scratch the surface of the overall opportunity. To wrap things up, we're pleased with the strong finish to FY '26. We're excited about the momentum we've built for the year ahead as we look to surpass \$3 billion in revenue on our way to \$5 billion and then \$10 billion.

Identity is security, and we're building on our position as the leading modern identity solution to win the emerging market for securing AI. It's an exciting opportunity, and we're going after it aggressively. 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.

**Brett Tighe**

*Chief Financial Officer*

Thanks, Todd, and thank you, everyone, for joining us today. We're pleased to close out another fiscal year achieving Rule of 40, which we've done every year since going public. It's also satisfying to see our investments to drive growth paying off. These focus areas include new product innovation, go-to-market specialization, large customers and our partner network. My commentary will provide insights into our Q4 performance and then move into our outlook for Q1 and FY '27.

The increased go-to-market specialization that we implemented at the beginning of the fiscal year continues to make progress. Strong execution has led to positive go-to-market KPI improvements, including sales productivity. Our focus on large customers and large deals continues to drive our financial results. In Q4, we closed a record amount of total contract value of nearly \$1.3 billion. We also surpassed a major milestone of \$3 billion in annual contract value.

Another key aspect of our go-to-market motion is our channel partners. When our partners are involved, the average deal size is bigger, and the close rates improve. Channel partners were engaged in 18 of our top 20 deals in Q4. Total contract value generated through our strategic go-to-market channel, AWS Marketplace, grew over 45% in FY '26 to approximately \$750 million. Moving on to our balance sheet and capital allocation.

We had another strong quarter of cash flow in Q4 and ended the quarter with a very healthy balance sheet, consisting of over \$2.5 billion in cash, cash equivalents and short-term investments. We continue to regularly evaluate Okta's capital allocation priorities to ensure we're well positioned to deliver sustainable long-term value to shareholders.

Consistent with this focus, we announced a \$1 billion share repurchase program in early January, taking advantage of what we believe to be an undervalued share price. Over the course of the remainder of January, we repurchased and retired over 875,000 shares for a total cost of \$79 million. We're proud to return value to our shareholders and are focused on capturing the clear opportunity in front of us. The investments Okta has been making to drive growth acceleration span all areas of our business.

These disciplined areas remain investing in our go-to-market teams, relentless product innovation, further leveraging our channel partners and keeping Okta one of the most secure companies in the world. Our improved go-to-market execution, coupled with a healthy demand environment, led us to begin adding quota-carrying sales capacity starting in Q2, and we continue to do so through the fourth quarter and now into the current Q1. Now let's turn to our business outlook.

Our guidance philosophy is unchanged as we continue to take a prudent approach to forward guidance that factors in current market conditions. For the first quarter of FY '27, we expect total revenue growth of

9%, current RPO growth of 10%, non-GAAP operating margin of 23% to 24% and free cash flow margin of 33% to 35%. For the full year FY '27, we expect total revenue growth of 9%, non-GAAP operating margin of 25% to 26% and a free cash flow margin of 27% to 28%.

I want to call out 3 important points pertaining to this guidance. First, reflected in the 9% FY '27 revenue guidance is about a 1-point impact related to a decision we made to shift more of our professional services business to our partners, specifically global system integrators. This change will result in lower professional services revenue.

We believe this will lead to greater long-term benefits to fuel top line growth by deepening the relationship with these important partners and increasing our business with large enterprises. The second point is that the FY '27 free cash flow margin guidance reflects about a 1-point headwind related to lower interest income relative to the combined impact from the stock repurchase program, our intent to settle the remainder of the 2026 notes in cash and the interest rate environment.

And finally, we've updated our non-GAAP tax rate assumption for Q1 and FY '27 to 21% from 26% based on the recent changes to the federal tax laws. To wrap things up, we're pleased with what we accomplished in FY '26 and are enthusiastic about the trends we're seeing in our business. The investments we're making are paying off and position Okta to extend its leadership in identity security. We've demonstrated exceptional leverage in our model and are positioned to deliver profitable growth for years to come. 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 there are already quite a few hands raised, and I'll take them in the order from the top of the hour through the top of the hour. And in the interest of time, please limit yourself to one question. And with that, we're going to go to Joe Gallo at Jefferies.

### **Joseph Anthony Gallo**

*Jefferies LLC, Research Division*

It was great to see the AI agent customer wins. Can you just talk more about pricing there? I wasn't sure if the 40% was referring to agentic. And then just any sense of when agentic will become meaningful to growth. Brett, I know you're really pragmatic. How should we think about what's reflected from agentic in your top line guide?

### **Todd McKinnon**

*Co-Founder, Chairman & CEO*

It's -- yes, the agentic products are really, really important to us. I'm not breaking any news there. Everyone knows this. But in Q4, it was really a story of all of our new products. The 30% of our new bookings were from new products. That's a very important strategic bucket of products we've been investing in for a long time. And then the agentic products are the newest bit of that.

And they had an absolutely incredible quarter considering Okta for AI Agents is not even generally available yet, and Auth0 for AI Agents is -- just was generally available at the beginning of the quarter. So it's off to a huge start. Now the relative number is small compared to our \$3 billion revenue run rate. But looking forward to next year, we're very, very excited about the potential of these products.

What's happening is that every company is figuring out how they're going to absorb all this AI innovation, how they're going to build things themselves, how they're going to adopt SaaS innovation with agentic built in, how they're going to adopt all this change. And what you're seeing is the identity is becoming a critical infrastructural foundation for that.

They have to have a system that can basically keep track of where all the agents are and who have agents and what kind of -- what can the agents do and what can they connect to. And that's what they're looking toward our products to do. So it's incredibly exciting. But it's also the success of governance, over 2,000 customers and our other new products set us up for a lot of, I think, success ahead.

In terms of guidance, I'll let Brett talk about the specifics. But because the agentic products are so new, it's tough to pour too much into our assumptions about growth in terms of guidance. But I think those things could be a huge source of upside over and above the guidance in the years ahead.

### **Brett Tighe**

*Chief Financial Officer*

Yes, I mean, Todd nailed it right there, which is it's still fairly small at this point, but we are excited given the amount of demand that we're seeing. It's not just the amount of bookings that we did in Q4. It was -- it's also the pipeline we see that is out there for FY '27. And like Todd said, look, it's a \$3 billion business. It takes a lot to move the needle in there.

But we're not thinking about this as an opportunity just for FY '27. This is an opportunity to be accretive to growth for FY '28, '29. And we'll see the results, as you guys know, in current RPO first before we see it in revenue. So we are excited about it and think it's a big opportunity for us, and you'll probably hear our bullish tone about it over the course of this call because of what we're seeing inside the business at this point.

### **Dave Gennarelli**

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*Senior Vice President of Investor Relations*

Next up, we'll go to Adam Borg at Stifel.

**Adam Charles Borg**

*Stifel, Nicolaus & Company, Incorporated, Research Division*

Todd, maybe talk a little bit more about the go-to-market changes you're starting -- you're doing this year, what you're seeing there? And also on the international front, what's the opportunity to drive growth higher there that still lags domestically?

**Todd McKinnon**

*Co-Founder, Chairman & CEO*

Yes, I think the headline about go-to-market changes in Q4 and coming into Q1 is they're very limited. We have our go-to-market structure in place. We're very confident and comfortable with it. It's -- we're seeing productivity ramping. We're seeing attrition low. We're adding capacity. And if you just look at the plan for this year, we don't have the usual assumption about cost of change in the early quarters of this year, which is very exciting.

We have a team that's psyched up and ready to go and they're armed with these new products, and they're organized by specialist domains across Auth0 and Okta and hunter and farmer and they're ready to roll. And they're coming off a huge Q4 and they're excited. And it's in -- and this part is more qualitative, which is that what we can provide to the market and to customers is this infrastructural foundation for this agentic enterprise.

And that's when a sales -- group of salespeople or salesperson goes out there and has that conversation with the customer and the customer clearly reflects back to them that this is a pressing urgent problem that they need help with, and they see Okta as the entitled company to actually deliver that value, that's powerful. It's got everyone super excited, and now we just have to go out and deliver on it. You don't get any points for conversations. You got to put wins on the board, and that's what we're focused on doing.

**Eric Kelleher**

*President & COO*

I think the transition coming into Q1 and this year, and we had our annual sales kickoff last year, our real focus is we delivered a strong year last year. We feel very strong about the results from Q4. We talked all throughout last year about how we were building specialization as the new lever. As Todd mentioned, our productivity has increased, our rep attrition has decreased.

So coming into this year, we are committed to that model, and we're not injecting a significant change. With one area in particular, I do want to note in addition to Todd's commentary, which is the note Brett shared about our investments specifically in our channel and specifically in our relationships with global systems integrators.

So the one significant change we have there is we've very consciously chosen to better leverage our relationships with the global systems integrators because our customers need them more than ever for the change management associated with the transition to agentic, for the increase in cyber and the importance of securing identity for human, nonhuman and agentic.

And so we're embracing that partnership. Those partnerships have been very successful for us with some of our largest customers, and we're excited to be leaning into that this year as well, and you see that reflected in the guide.

**Todd McKinnon**

*Co-Founder, Chairman & CEO*

Yes. This is really exciting, and I'll just take a minute here to comment on this. What's happening in the market, there's some market forces going on, which is every customer, obviously, is interested in AI and agentic AI. And they're going to these GSIs and asking them about how to invest in the foundational

elements and the security. And just like customers are coming to us, they're going to these GSIs and the GSIs see that we are the answer.

We can help customers power this agentic enterprise and be the source of truth for identity and connections between agents and systems. And the GSIs see that as foundational as well. So the GSIs look at the identity market, and they see us as the clear independent and neutral leader. No one else has the scale, no one else has the capabilities.

The other big identity companies are also trying to sell you a platform or sell you a development kit or sell you other cyber tools. So they're seeing we're the winner. So they're coming to us and you're seeing a product suite that is more capable than ever that needs GSIs to help install it correctly and scale it out at customers so the GSIs can couple with the leader, they can help customers transition into this agentic future.

So it's a win-win all around. What's left for us to do is really double down our investment by saying, hey, we're going to give up the professional services dollar as an investment to make this whole ecosystem bigger and empower our long-term subscription growth. It's very exciting. I feel like we've been working on years and years to get here, and we're here, and it's incredibly exciting to me and the entire team.

**Eric Kelleher**

*President & COO*

Yes. We're really fired up. And just as one more indicator of the strength of that channel I mentioned we had our sales kickoff last week. We had our GSIs in attendance at our sales kickoff for the first time. And so our partners are really becoming part of our go-to-market engine, and their engagement was really high off the chart. So we're very excited about how this helps us reach more customers faster with the broader Okta platform solution.

**Dave Gennarelli**

*Senior Vice President of Investor Relations*

We'll go to John DiFucci at Guggenheim.

**John Stephen DiFucci**

*Guggenheim Securities, LLC, Research Division*

I think this question is for Todd and Eric. Again listen, identity remains a high priority, no matter who we speak to, right, IT purchasers, partners, so much so that others seem to be encroaching in the market, even as Microsoft seems to have faded a little bit in conversations when you talk to people in the field. But you have names not usually associated with identity like CrowdStrike and Rubrik talking about it or even names like 1Password taking a different approach.

I guess these names might not necessarily be competing with you directly. Is it causing confusion in the market or more traditional names like Ping having a greater effect? Because listen, you guys beat numbers, and it's always good to see that, but it wasn't quite what we thought it would be. And cRPO aside, the guide was a bit below where we thought you'd start and obviously, where the Street thought.

**Todd McKinnon**

*Co-Founder, Chairman & CEO*

I think it is -- I mean, the identity is at the center of -- traditionally, in legacy technology, it was always at the center. And in this agentic world going forward, John, it's becoming clear to everyone, it's even a bigger deal than it was before. But being at the center, there is some confusion about who's doing what. I think the biggest confusion people have is the distinction between identity infrastructure and identity security.

And they hear the word identity, and they think if you're sitting on top of identity and detecting threats and blocking threats, you're also identity infrastructure. So that's one of the big confusions. And when you look at the agentic market, they're both really important. It's the identity security, making sure the agents are monitored and checked that they can't go out of bounds.

But just the infrastructure, just the ability for the agents to connect and just for tracking and visibility, that's an infrastructure play. And we're the only company that really does both. It's at the security layer and the infrastructure layer. So I think that is maybe a little bit of a confusion and something that we're working hard to make sure everyone understands the advantage of that position as well.

**Eric Kelleher**

*President & COO*

Yes. And I would add, I think the examples you just described, they point to the fact that the world is understanding that identity security and in particular, agentic identity security is fundamental to the future. And so people are looking at how to invest there. But from an Okta standpoint, we're not seeing any material change in the competitive behavior in our transactions yet. Of course, we're keeping our eye on the landscape.

And also, remember, we are -- we've been in this business for a really long time. And we have over 20,000 customers that count on us to protect their identity and over 7,000 integrations off the shelf. And we believe that neutrality and ability to integrate with everything is what our customers need. That's what we hear from our customers as well. We think that positions us very well for the future. And the other note is agentic identity for us isn't a new product.

It's an extension of the products we already have. We've already had human identities and nonhuman identities. And now we are simply expanding to also include agentic identities into our product stack. So for us, we think we're very well positioned in this. We manage today over 45 billion authentication events a month and over -- we block over 8 billion threats a month as well. Those statistics are really meaningful to our customers who know that we're the leader in the space.

**Brett Tighe**

*Chief Financial Officer*

One other comment for you, John, we're -- I'll try to keep them shorter on the next questions. I just want to make sure we're all on the same page around the mechanics of the revenue guide, which is it is a 10-point subscription revenue guide and a 9-point total revenue guide. So effectively, we're taking -- another way to think about it is professional services in FY '26 is roughly about 2% of total revenue and FY '27 is going to be about 1 point of revenue.

So just keep that in mind because the subscription revenue is growing faster, and we talked about the investment and why we're doing that earlier. I just want to make sure we're all crystal clear that subs revenue is growing faster than total revenue as a result of the good results we had in FY '26 and what we expect to produce in '27.

**Todd McKinnon**

*Co-Founder, Chairman & CEO*

Yes. We don't want to disappoint anyone. We're going to make sure we work hard to exceed or meet or exceed the guidance. That's our mantra.

**Dave Gennarelli**

*Senior Vice President of Investor Relations*

Okay. Next, we'll go to Josh Tilton at Wolfe.

**Joshua Alexander Tilton**

*Wolfe Research, LLC*

Brett, you kind of stole my question right from me. It was going to be on that subscription guide. So maybe can you just -- I know you gave some of the puts and takes on the conservatism in the guide. But maybe just help us think about how conservative this guidance is versus the guidance you gave last year. And the reason I'm asking is because some quick math kind of suggests that this could be the year that subscription revenue growth accelerates. So maybe just walk us through some of the puts and takes there.

**Brett Tighe***Chief Financial Officer*

Yes. I mean it's real simple this year. We're not going to get into the details of this, that or the other. It's just we're taking into account market conditions, what we think we can produce. So guidance philosophy remains the same as what we've done in the last few quarters. So it's real simple, nothing too complicated.

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

Next, we'll go to Roger Boyd at UBS.

**Roger Foley Boyd***UBS Investment Bank, Research Division*

I wanted to come back to agentic and great to see the continued early traction there. I know it's early but wondering if you could provide any updated thoughts on how you're thinking about pricing in those products. I think in the past, you've talked about a per agent pricing model. How is that resonating with some of these early customers who are buying these offerings, considering the potentially open-ended and rapid growth they could potentially see with agents?

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

It's -- that topic comes up all the time. And one of our advantages is as we have these conversations with our 20,000 customers, we get really rapid feedback on how we can capture value, what would be most valuable for them, easy for them to consume. So it's really a strategic advantage. We have this feedback loop, and we've actually structured the go-to-market team for AI agents to capture that feedback rapidly and feed it right back into the product teams.

And what we're seeing is that there's really 2 ways that we charge for agents. One is like a multiplier on a person. So in the model where a human identity uses a number of agents to augment their work, there's a multiplier on that agent or on that -- what they pay for a person to what they pay for agents. And then also, there's a -- if the agent is not coupled to a person, there's a -- we sell it based on the number of connections the agent makes because that's really the value.

They want to secure those connections and filter on fine-grain access to all the back-end systems and the SaaS applications and the custom applications and data warehouses the agent connects to as they get more -- the agent is more valuable as it has more fine-grained access to different things and it's more secure. So there's a multiple based on that. The pricing we're working with these customers on is pretty early. So we're -- it's a nice step up.

It's -- I mentioned earlier, by the way, we mentioned earlier, the 40% uplift. That was the uplift -- that specific number was the uplift on a specific deal that has new products in it. It wasn't broken out specifically for agents. We'll talk more about the actual specifics of agentic pricing in the quarters ahead, but we're not announcing that and talking about specific uplift or multiplier on human identities just as of yet. We want to settle down and get a little more consistent before we go broad and communicate that.

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

Next up, Matt Hedberg at RBC.

**Matthew George Hedberg***RBC Capital Markets, Research Division*

Todd, a question for you. I think we've all seen the highlights on competition from LLM vendors or vibe coding. And I think a lot of us on this call agree that like it's easier said than done. I guess from your perspective, when you look at what you've built over the years and the data that you're sitting on, can you

talk about sort of the structural advantages that you see over maybe some upstarts or some vibe coding alternatives?

**Todd McKinnon**

*Co-Founder, Chairman & CEO*

For sure. Yes, something we -- the whole industry is thinking about. And I think what I've -- I can think about it hypothetically, and then I can tell you what customers talk about in my hundreds of conversations with customers. I'll just start with the hypothetical. I think if you want to build what any SaaS company has done or what Okta has done, it's years and years of hardening and making sure there's no vulnerabilities and making sure it scales and it's reliable.

And it's -- if you -- I don't know what the inference cost to build that would be, but it would be pretty significant inference cost. And then if you flip it around, you just think about what's the price of getting it wrong. And if getting it wrong, it's hard to validate. It's hard to prove you have it right. And if it's wrong, you have a major security breach or you're down and none of your agents or none of your people can access systems.

So the cost of getting it wrong hypothetically and actually just the cost to do it theoretically, if it was even possible theoretically with an LLM or a tool would be pretty high. And that cost could change over time. We don't know. But when I talk to customers, that's the hypothetical model. But when you talk to customers and you hear their challenges and their opportunities, they -- a lot of the same things are echoed.

They want to identify key infrastructure pillars, and they want to standardize on them. And they see that as the unlock to hundreds of other decisions and hundreds of other builds versus buy decisions they have to make. And they're putting foundational security, foundational identity in this bucket of things that they want to partner with a leader and trust it and go on top of that and figure everything else out.

That's what they're telling me. And it kind of matches up with what I would think about hypothetically. Now that all being said, we are paranoid. And we're making sure that we are using all the latest technologies, LLMs, coding tools to make sure we have not only something that's resilient and secure but has the best features and the best capabilities.

And so we're making sure that we build things internally as fast as anyone could build them because we -- make no mistakes, the prize here that the whole industry is going after, which is this agentic future where digital labor is part of the TAM is a massive prize. And everyone is at some level; big picture is going to be going after this prize. And it's exciting because it's greatly expanded the TAM of what Okta could be.

Think about identity and what it's been in the past. It's roughly \$20 billion TAM right now in terms of what people spend on the vendor data. We talk about an \$80 billion TAM. I mean this could be bigger than -- this could be the biggest part of cyber in a few years for sure. And it could be even bigger than that if you really think about the infrastructure that stitches together the entire agentic enterprise and is the plumbing that makes it run.

So we're investing and we're paranoid and we're working hard to make sure we capture that because the benefit to our customers and the benefit to our shareholders and the benefit to everyone involved is massive, and that's what's firing us up. We're working harder and we're more excited than ever because that's what's at stake.

**Dave Gennarelli**

*Senior Vice President of Investor Relations*

Next up is Todd Weller at Stephens.

**Todd Charles Weller**

*Stephens Inc., Research Division*

A question on Auth0. It looks like growth decelerated a bit from 2Q when that was last disclosed. So the question is, how do we think about the durable growth profile of that business relative to workforce? And

then it would seem that AI could be a significant catalyst to accelerate that shift from the homegrown solutions to out of the box like Auth0. So any thoughts there would be great.

**Todd McKinnon**

*Co-Founder, Chairman & CEO*

I think that it's -- we're very excited about Auth0. I think the deceleration a little bit is a tough compare. There's also -- we changed the go-to-market mix last year, as you know, to focus more on that, and there's probably some cost of change in that number as well. Those are maybe a little bit of puts and takes on it. I think we're bullish on it. I think the big picture thing is what's happening in the SIEM market.

The SIEM market is transitioning to be not just a platform for logging in and doing authentication authorization, but it's a platform for customers building agentic interfaces to their customers and to agents coming into their systems. So Auth0 for AI Agents, that's what it is. It's a token vault. It helps agentic login. It helps customers hook other AI tools up to their customer login. And so I think over time, that market is evolving into something that's hugely impactful and value delivering for our customers.

I mentioned in my prepared remarks on the financial services firm that's using Auth0 for AI Agents really to help deliver agents to their customers. And then you'll see those tools being used to deliver agent interfaces and -- because like I think we talk about agentic, and I talked about agentic a lot of times on this call, but everything is going to be agentic.

So the capability of software to do more things autonomously and seek goals and to do more unsupervised task is going to pervade into every layer of software, whether it's customer-facing, whether it's employee-facing, whether it's what an existing SaaS app does, whether it's the next generation of applications, it's all going to be agentic, and it all needs identity, and we're positioned to play in all of that, which is why it's so exciting.

**Brett Tighe**

*Chief Financial Officer*

And one thing just to add on around the tough compare that Todd was talking about. If you remember, Q4 of last year, Auth0 had a record quarter. And you guys know it was a really great quarter just in general, but that's what's creating the tough compare is that Auth0 just had a fantastic Q4 last Q4.

**Dave Gennarelli**

*Senior Vice President of Investor Relations*

Next up, we'll go to Brian Essex at JPMorgan.

**Brian Lee Essex**

*JPMorgan Chase & Co, Research Division*

Maybe to follow up on that topic. Just you've got Auth0, Todd, for AI Agents and Okta for AI Agents. And it seems like you've got a real competitive advantage on the Auth0 side. Could you maybe compare, and contrast initial takes for sales cycles, competitive dynamics and velocity of each? I know it's still early stages, but is Okta for AI Agents in a more competitive market? Or -- would love to just get your take on what kind of velocity you're seeing in each of those product segments.

**Todd McKinnon**

*Co-Founder, Chairman & CEO*

Yes. I think it's maybe flipped. I think Okta for AI Agents is more unique and more differentiated than maybe we would have expected. I think Auth0 for AI Agents is unique and differentiated as well. But I think maybe the sentiment you're expressing is it's different than what we're seeing. Customers need a solution that's pre-integrated to all these agentic systems. I mean there's no good way for customers to even understand what all these vendors are doing in agentic.

There's no catalog of systems that says, Salesforce is doing this. ServiceNow is doing this, AgentCore is this, Google is doing this, Microsoft is doing this. And that's what Okta for AI Agents does. And then on top

of that, models connections and has policy for connections that connects users to different agents, agents to systems. So it's -- the reception of it is very positive. And now we have to turn that into continued momentum that we saw in Q4.

**Eric Kelleher**

*President & COO*

And my customer conversations, I'm hearing urgency on both. But I would agree with Todd's comment that we feel maybe slightly more urgency on the Okta for AI Agent side. And if you think about that, the Okta for AI Agents platform is the platform that helps customers find where they have rogue agents deployed.

And that is often the top of mind for a corporate buyer for a CIO or a CISO is they know that employees are activating agents, and they need a way to discover those agents and then to secure them, to manage them, to govern them, to vault their credentials and the Okta for AI Agents platform solves that problem first.

But really in parallel, we're talking to a number of customers who are building agents and know that they need to build agents that can be discovered, that can be integrated, that can be authorized, and the Auth0 for AI Agents platform is what allows them to do that. So -- we've said in the prior call and today as well that we are having a huge interest in both of these platforms across our customer base and with our prospective customers as well.

**Dave Gennarelli**

*Senior Vice President of Investor Relations*

Eric Heath at KeyBanc.

**Eric Michael Heath**

*KeyBanc Capital Markets Inc., Research Division*

Maybe just extending on Brian's question and one follow-up question, clarification, if I may. So just on these AI agent deals that you are closing at this point, are customers evaluating alternatives at this point? Or are they solely just looking at Okta and choosing Okta? And then just a clarifying question for you, Brett.

The uplift of 40% for the entirety of the emerging product portfolio, I believe previously, we were talking about OIG and OPA, each being about a 33% uplift. So I'm just a little surprised that the entirety of the portfolio on the emerging side is 40%. So any clarifying comments you could have there is great.

**Todd McKinnon**

*Co-Founder, Chairman & CEO*

Yes. Before we break down the 40% on your first question, these are early adopters. These are people that are thinking about for Okta for AI Agents specifically, these are people that have seen the future of agentic and they're thinking about how they can get their foundational house in order. So they're early adopters. So they look at everything. They've scoured every start-up, every big platform, and they're seeing a couple of things.

One is that the vision of what we're delivering -- the -- what we've delivered so far, even though it's an early access product and our vision of where it could be is very compelling. Two, they're seeing that they don't want to be -- they're reticent to trust a start-up with this critical piece of foundation because they know there's going to be M&A, and they know there's going to be start-ups going away.

There are so many start-ups playing in this space that there's bound to be a lot of failure, and they don't want to build their whole foundation around something and have it be pulled out from under them. And the other factor that is in their minds is that they don't want to be locked in. Think about -- what's happening at agentic and what's happening in this world, these foundational models are moving incredibly fast.

And its Anthropic foundational model that has the leap ahead and then it's OpenAI and then it's an open-source model and then it's -- and that's going to continue for many years. And they don't want to be locked into a certain stack and a certain set of tools. So they're reticent to trust their foundational security with one provider, one platform. They want flexibility.

And back to the start-ups, they know that a bunch of these start-ups are going to get bought by the big players, so they're thinking, even if I go with a start-up now, it's going to get sold and then we'd be locked into Microsoft, and they don't really want that. So yes, it's -- our positioning is very compelling. And the exciting thing about Q4, I talked about last call, I said we had Oktane, and everyone was super interested, and I've never seen interest in my life in my career in a new product like this.

The great thing about Q4 is it actually translated into real dollars and real bookings. Now it's still small relative to our overall run rate, and it's up to us to continue that momentum through this year. And so it can really start driving the number on the top line and growth, et cetera. But we're on track. And it's -- like I said many times on this call, it's incredibly energizing.

### **Brett Tighe**

*Chief Financial Officer*

Yes. And I would just add one thing to your comment, Todd, which is the deal size for these deals have been good-sized deals. They've been -- which is really nice to see because it has been more tilted toward larger companies. I think that's a general theme that we've seen, at least in Q4, and we're seeing a little bit in the pipeline going forward. So going to your question, Eric, around the 40% versus the 33%-ish, I want to be very clear.

Previously, we said there was a 50% uplift on governance of a workforce contract alone. The 40% is over the entire contract. So -- yes, the number was higher for 50%, but it was only a part of the business, the 59% of the business. If you take all 100%, it's a 40% uplift on the entire thing, which really shows that these new products are adding a tremendous amount of value to the top line for us, and that's why we're so excited about it.

### **Dave Gennarelli**

*Senior Vice President of Investor Relations*

Next, we'll go to Shrenik Kothari at Baird.

### **Shrenik Kothari**

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

Great. So staying on topic of agentic. And Todd, you mentioned nonhuman identities could ultimately rival. Today, you mentioned can exceed. And just from a pricing standpoint, I agree it's still early to size, but incidents like the SalesLoft Drift breach or there's compromised OAuth tokens enable lateral access across SaaS. Can you tell us a little bit about like how -- does this expand the nonhuman identity TAM beyond your early estimates and just overall strengthen your strategic positioning to lead this agentic category?

### **Todd McKinnon**

*Co-Founder, Chairman & CEO*

I think when I talk about agentic and being the identity foundation for the agentic enterprise, that really is a superset of what people call nonhuman. Nonhuman is like service accounts and sometimes they mean tracking machines. What I'm talking about is much bigger. It's a super set of all that stuff. And it's really -- it's going to -- it's the backbone of the agentic enterprise.

It's incredibly valuable and mission-critical for customers, and it's a massive TAM. Anytime you're adding that much value to customers, you're going to be able to monetize it some way, whether that's just unique count of agents or that's agent connections that -- which is kind of how we're doing it now or whether that's some -- that will evolve as we go forward, we'll figure that out, but it's the value we potentially could generate or could provide to customers is it's, I think, greatly increasing the TAM.

### **Dave Gennarelli**

*Senior Vice President of Investor Relations*

Next, we'll go to Gray Powell at BTIG.

**Gray Wilson Powell**

*BTIG, LLC, Research Division*

Congratulations on the results. So I wanted to clarify an earlier question. So this is the third consecutive quarter where all the main KPIs have been clean. And then the forward revenue outlook, as far as I can tell, it was above the street, not below.

So I guess if you just -- if you had to point to 1 or 2 things that have been the biggest driver of your consistency, what would that be?

**Todd McKinnon**

*Co-Founder, Chairman & CEO*

Large deals, large customers.

**Gray Wilson Powell**

*BTIG, LLC, Research Division*

Okay. And then the follow-up would just be like how do you feel about your visibility on demand today versus 6 to 12 months ago?

**Todd McKinnon**

*Co-Founder, Chairman & CEO*

The answer, like I said, large deals, large customers, people buying more of the products, more of the platform. And I feel more confident in it than I was a year ago. I was pretty confident a year ago, but we had a lot of change in specialization, and there was some cost of change there, and we had that in our guidance, and now that's not there anymore. So I'm more confident now.

**Brett Tighe**

*Chief Financial Officer*

Yes. I would add just -- look, we've been focused on a few things for a while now, which is becoming one of the world's most secure companies, doing a good job there. New product introduction. You've seen the results there. Partners, you've heard us talk about it today and also in the remarks earlier. And then specialization. And all those things have been in this effort to continue to deliver consistent results and ultimately with the goal of growing faster than what we're doing today.

That's our goal. I think it's -- we've stated many, many times that we are not pleased with the growth levels at this level. We want to be able to grow faster, and that's why we're doing all these things and why we're excited about the opportunity because we see all of the fruits of our labor starting to pile up and produce solid results, and we think that's just going to parlay into better results going forward.

**Dave Gennarelli**

*Senior Vice President of Investor Relations*

Next up is Kingsley Crane at Canaccord.

**William Kingsley Crane**

*Canaccord Genuity Corp., Research Division*

On agentic, again, I don't think it's controversial to say that OAuth and OIDC weren't originally designed for agentic. Cross-app access is a huge step.

**Todd McKinnon**

*Co-Founder, Chairman & CEO*

You know what they were designed for, right? You know what they were designed for, right? It was like sharing your Twitter feed, getting a third-party Twitter client access to your Twitter.

**William Kingsley Crane**

*Canaccord Genuity Corp., Research Division*

Right. So yes, I mean, people-centric. But so -- I mean, it seems like you're fighting a standards war as much as you are fighting a product war. Do you think that's fair? And then how critical is it for you to win that war? Or is the market sufficiently large where that doesn't matter?

**Todd McKinnon**

*Co-Founder, Chairman & CEO*

I think standards are very important. I don't -- I'm not sure that our standard has to win. I think we -- there really is nothing like cross-app access out there. So I think in terms of like the ability for one agent to -- instead of asking a person to manually connect other services to that agent to delegate that to an enterprise IdP and let the IdP ahead of time set up that thing as per enterprise policy, there's nothing else like it.

And it's like very universally accepted as a positive goal. I think the gate on how fast that will be adopted is every SaaS company and every technology vendor, they have -- believe me, they're reading the headlines. They understand that they need to innovate in their products and they're thinking about where supporting cross-app access is on their road map of priorities.

So that's -- they're all trying to do a ton of things and make their services more agentic and more compelling and security and the ability to have them be more enterprise-ready is on their list, but we have to convince them to get it higher on their list. So it's not like a competing standard is like a prioritization thing. But remember, we are -- we want to provide this identity infrastructure and make sure that we give people this solid foundation to build upon.

And that's going to require standardization just because it's not going to -- you can't use a standard piece of foundation if everyone is doing their own things in a different way, which is why we're working with standards bodies in general. It's not just Cross App Access, but it's an important part of the equation. But I wouldn't say like the whole war rests on one specific standards body or standards battle. I think it will be an evolutionary thing over the next several years.

**Dave Gennarelli**

*Senior Vice President of Investor Relations*

Next up is Mike Cikos at Needham.

**Michael Joseph Cikos**

*Needham & Company, LLC, Research Division*

Congrats on the strong finish and consistent execution here. On the Okta and Auth0 for AI Agents, if I could just turn it on its head for a second, but do you receive pushback from organizations? Or what are some of the friction points you here to adopt? And then secondly, I know you guys are obviously focused on this and investing aggressively, but what are current gating factors to driving faster success from an Okta operations standpoint?

**Todd McKinnon**

*Co-Founder, Chairman & CEO*

I think it's specifically on agentic, I think it's really how fast companies are going to adopt AI. How fast they're going to -- most people are -- have chatbots now and copilots or things like that. I think the next wave is actually the autonomous goal-seeking agents. And there are some of those in the packaged applications, Agentforce and ServiceNow has some of them. Many companies are building their own internal platform to build these themselves.

Some of them are using Google's builder platform, Microsoft's or AgentCore from Amazon. But I think -- so I think the pace of adoption here, particularly on the foundational layer we're building is how fast they adopt agentic and then specifically, how much that means putting the cross-platform plumbing in that is required when you want to take an agent from one platform and have it work across platforms. So I think it's -- they have a lot coming at them.

They're trying to absorb innovation in different products. They're trying to figure out what they build. They're trying to figure out what they buy. And -- so I think our job is to make sure that they understand the foundational elements of what we do and how well it integrates and how seamless it is and how it gives them choice and flexibility. And the success we've had is followed that playbook.

And so that's really something we'll keep doing so we catalyze a lot more momentum going forward. There's no like a better -- I'm sorry, I'm being a little rambly in my answer, but there's no -- we still don't have the reference architecture. There's no -- a million years ago, it was like you had a database, relational database and you had client-server and then it went to -- there's a reference architecture.

You had cloud infrastructure, and you had web middleware. There's -- that still hasn't been established for the agentic enterprise. But it will happen quickly. It's like you use this flexible LLM model, you use this identity layer, you use this maybe workflow layer. And so once that happens, everyone will kind of agree on that, and then you'll see it really start to crank. And that's why the stakes are so high to win this identity layer now, which could turn into the biggest market for us ever.

**Dave Gennarelli**

*Senior Vice President of Investor Relations*

All right. Next up, we'll go to Rob Owens at Piper.

**Robbie David Owens**

*Piper Sandler & Co., Research Division*

Would love to unpack the growth algorithm a little bit and focus on DBNRR. And it's been flat all year. And I guess it's a little surprising. We think that you're through the headwinds of COVID as those have kind of anniversaried on a multiyear cycle. And the last couple of years have been really strong from a new product standpoint.

I realize that retention rates are typically an output, not an input to a degree, and you're landing larger and that's all great. But as we've seen growth continually tick down, we just haven't seen improvement in this metric. And just curious why that's the case and when that might change?

**Brett Tighe**

*Chief Financial Officer*

Yes, I can take that one. And Eric, if you want, add a little color. So one of the things that has been consistent has been that gross retention. Rob, it's the most important factor in there. That has been consistent and have been just a pillar or a foundation to that number for some time now, actually several, several years. It's just the upsell rate that we haven't seen as much to really keep it higher, right?

And we think for the balance of FY '27, we do travel in this range, plus or minus a little bit. And what it's going to boil down to is how much new business do we do in the year and how much upsell do we do in the year because we've got confidence that, that pillar of strength, that gross retention will continue to be very healthy. So it really boils down to how much upsell versus new business we can generate in FY '27.

And that's one of the reasons why we have added this capacity into the system because regardless if you're looking at net retention, ultimately, what we really care about is that top line revenue growth number or really current RPO growth in front of that. In any given year, there's really only 2 variables that we can play with. One is the productivity per rep, which you've heard us talk about over the last several quarters of getting better and better.

Actually, we talked about it in FY '25 as well, good productivity improvement in '25. '26 was a good improvement enough to say, hey, let's add some more reps into the formula. So then that's the second

piece of the formula, right? There's productivity per rep and then how many reps do you have in there. And we've added a meaningful amount of reps into the system. You can see that in the sales and marketing expense line. I'd invite you to look at the year-over-year growth of Q2, Q3, Q4.

That is going to lead to growth or at least I expect -- we expect to lead that to growth in the future. So it's all part of a bigger plan there, Rob, to try to be able to accelerate top line growth, not just NRR. I mean we can talk about NRR, but it's not as exciting as really that top line current RPO growth that we're really targeting to go faster in the medium term. That's something we've talked to you guys about. We want to be faster than where we are.

**Todd McKinnon**

*Co-Founder, Chairman & CEO*

Yes. The other -- the last thing I'll say on this is for better understanding, Rob, is the RPO is growing faster than cRPO, which means term lengths are getting longer, which means there's less to renew every year on an app basis, relatively speaking, which is another positive thing that's going to drive potential upside here.

**Dave Gennarelli**

*Senior Vice President of Investor Relations*

We've got about 3 minutes left. So let's try to get through as many as possible. Next up, we have Peter Levine at Evercore.

**Peter Marc Levine**

*Evercore ISI Institutional Equities, Research Division*

I'll just give it quick. Most of the answers -- my questions have been answered. For Brett, the linearity around professional services, maybe just from a modeling perspective, help us understand how that plays out throughout the year. Is it more of an impact in the second half as partners ramp up on this new program? Just help us understand how we should model that out.

**Brett Tighe**

*Chief Financial Officer*

It should be a little bit more impact as the year goes on. That is correct. Yes. That's about right.

**Dave Gennarelli**

*Senior Vice President of Investor Relations*

We'll go to Patrick Colville at Scotiabank.

**Patrick Edwin Ronald Colville**

*Scotiabank Global Banking and Markets, Research Division*

I guess my one is for both Brett and Todd, please. In the prepared remarks, you talked of fiscal '27, the focus is on prioritizing growth. If I look at the fiscal '27 op margin guide, it's 25%, which is a great number. It's the same as the guide provided this time last year. So I guess just between the prepared remark comments and that guide, should the read be for us and investors that staying disciplined on cost, but it's all about pouring kerosene on the fire and capturing that TAM?

**Brett Tighe**

*Chief Financial Officer*

It is the latter of the 2. So we want to be disciplined, and we feel the margins are very healthy at this point. We've made tremendous progress over the last 3 years, and we've been able to reinvest into growth-oriented activities. Just take a look at the results in '26, what I just said a couple of minutes ago, which is look at the growth in sales and marketing line in Q2, Q3 and Q4 and compare it to some of the other lines like G&A.

We're trying to basically take money from one place and put it in another place so we can grow faster, whether it be in R&D or sales and marketing, that's ultimately our goal while still producing very healthy margins, but the goal is to grow faster. Like we think the opportunity is there. You've heard it from us as a group today, and that's what we're going to continue to do. But also be keeping in mind, we have very healthy margins, and we want to take a balanced approach.

**Todd McKinnon**

*Co-Founder, Chairman & CEO*

Yes. It's a structurally more efficient and capable company than it was 3 years ago. So I think you'll see that going forward where we can balance things in a very strategic way that accomplishes both those goals.

**Brett Tighe**

*Chief Financial Officer*

Yes. We're fortunate to have the flexibility to be able to make these, we have a very good business model. That's something we're quite proud of, frankly.

**Dave Gennarelli**

*Senior Vice President of Investor Relations*

Okay. We'll take the last question from Junaid at Truist.

**Junaid Hamid Siddiqui**

*Truist Securities, Inc., Research Division*

The suite-based pricing that you introduced over the past year, how has the reception been from customers? And is that contributing to these large deal sizes you were alluding to and helping drive broader platform adoption?

**Eric Kelleher**

*President & COO*

Yes. Overall, the suite-based pricing continues to resonate with customers. It does, in particular, help with larger transactions and larger customers. And the other thing it does is it helps us close those deals faster because customers can sign up and then determine where to allocate individual licenses over time.

So yes, it continues to resonate. It's still a relatively early offer for us. So it's not yet a significant contributor to the run rate, as we talked about earlier, but customers have been very pleased with the offering, and our field has as well. So we expect to continue success there this year.

**Dave Gennarelli**

*Senior Vice President of Investor Relations*

All right. Appreciate that, guys. Apologies to those we didn't get to. Before you go, I just want to let you know that in addition to both on-site and virtual bus tours this quarter, we'll be attending the Morgan Stanley Conference in San Francisco tomorrow and also the Wells Fargo Software Symposium in Menlo Park on April 9. And we hope to see you at one of those events. Thanks.

**Todd McKinnon**

*Co-Founder, Chairman & CEO*

Thanks, everyone.

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