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OKTA SECOND QUARTER FISCAL 2027 POSTED COMMENTARY

Aug 26, 2026

Okta is posting this prepared commentary, press release, and earnings presentation to its investor relations (IR) website to provide stockholders and analysts with additional detail prior to its quarterly earnings webcast. The webcast begins at 2:00 p.m. PT (5:00 p.m. ET) on August 26, 2026 and will include executive comments followed by Q&A. To access the webcast of the executive comments and Q&A session, visit the IR section of our website at investor.okta.com. A reconciliation of GAAP and non-GAAP results is provided in the tables following this Posted Commentary. Okta references a number of numeric or growth changes below. Unless otherwise noted, each such reference represents a year-over-year comparison.

TOP-LINE METRICS

Total revenue for the second quarter grew 11% to $805 million. Subscription revenue increased 12% and represented 99% of total revenue, and professional services and other accounted for the remainder. International revenue grew 12% and represented 21% of our total revenue.

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

Workforce Identity ACV grew 11% and represented 59% of total ACV. Customer Identity ACV grew 13% and represented 41% of total ACV.

Remaining Performance Obligations (RPO) and Current RPO

RPO, or subscription backlog, grew 17% to $4.858 billion. The overall average contract term length is approximately 2.5 years.

Current RPO (cRPO), which represents subscription backlog we expect to recognize as revenue over the next 12 months, grew 14% to $2.585 billion.

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SELECT FINANCIAL REVIEW

Net Retention Rate

The dollar-based net retention rate for the trailing 12-month period was 107%. The net retention rate may fluctuate from quarter-to-quarter as the mix of new business, renewals, and upsells fluctuates.

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

Profitability was better than expected due to revenue overperformance. We continue to focus on spend efficiency measures, while investing for future growth and security initiatives.

Total expenses for the quarter were $579 million, an increase of 10% year-over-year, reflecting investments in go-to-market teams, product innovation, and Okta's partner network. Operating profit margin was 28%, compared to 28% in Q2 last year.

Total headcount at the end of Q2 was approximately 6,570.

Cash Flow & Balance Sheet

Free cash flow was $227 million, yielding a free cash flow margin of 28% compared to free cash flow of $162 million, or 22% free cash flow margin, in Q2 last year. Free cash flow was driven by operating profitability and strong collections.

On January 5, 2026, we announced that our board of directors approved a stock repurchase program with authorization to purchase up to $1 billion of our Class A common stock from time to time. During Q2, we repurchased 1,542,442 shares at an average cost basis of $81.06 per share for total consideration of $125 million. The repurchase program does not have an expiration date, does not obligate us to acquire any particular amount of Class A Common Stock, and may be modified, suspended, or terminated at any time at the discretion of our board of directors. There remains $555 million under this authorization.

The balance sheet remains strong, anchored by $2.299 billion in cash, cash equivalents and short-term investments.

Convertible Debt Summary

In June 2020, we issued the 2026 Notes due June 15, 2026 with a principal amount of $1.15 billion. At maturity in June 2026, Okta paid off the full remaining $350 million principal amount in cash. There is no remaining convertible debt outstanding.

CUSTOMERS AND CUSTOMER SUCCESS

We continue to see strong growth with large customers for both workforce and customer identity. Our total base of $100,000 plus ACV customers grew by 6% to 5,255, and represents approximately 85% of total ACV.

Our total base of $1 million plus ACV customers grew 22% to 605. The $1 million plus cohort represents over $1 billion in total ACV.

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

- ❖ Upsell (O4AA): A leading appliance manufacturer expanded its partnership with Okta this quarter by adopting Okta for AI Agents, building on a trusted foundation that spans Okta Workforce and Customer Identity platforms. The company was driven by its new AI strategy and needed to discover unmanaged shadow AI, neutralize rogue agents, and safely integrate hundreds of autonomous entities across its environment. Okta for AI Agents provides a seamless extension of their existing identity control plane. The company will leverage Okta to secure hundreds of agents operating within Gemini Enterprise alongside custom-built software agents, ensuring rapid innovation without compromising security.

- ❖ Upsell (O4AA): A major commercial insurance provider and long-time Okta customer selected Okta for AI Agents to accelerate its enterprise-wide AI strategy. As the organization scales autonomous agents across its developer, IT, and knowledge worker environments, it needed a way to discover and govern these agents to ensure least privileged access rather than unfettered access into enterprise systems. Okta will provide a centralized framework to govern these AI workflows across the organization's hybrid environment, enforcing short-lived permissions, human-in-the-loop oversight for critical data analysis, and clear attribution that securely separates human and agent actions.

- ❖ Upsell (A4AA, HRI, FGA): A hospitality management software company expanded its Auth0 partnership to consolidate siloed identity systems post-acquisition and help secure its transition into a new market. The company is preparing to launch a native payments platform alongside a new AI product and sought a modern customer identity solution to satisfy strict regulatory mandates and secure next-generation AI workflows. Auth0 for AI Agents will power their upcoming AI innovations while Highly Regulated Identity (HRI) and Fine Grained Authorization (FGA) will secure their new payment workflows.

- New Workforce (OIG, OPA): An insurance software platform was a new business win and partnered with Okta to establish a centralized identity governance and security standard. A recent merger exposed the operational risks of relying on fragmented legacy tooling. To meet a strict regulatory audit deadline and streamline future M&A, the company prioritized consolidating its IT architecture and rapidly scaling governance. With Okta's unified platform, the company will consolidate Identity Governance and Privileged Access while centralizing its entire workforce within Universal Directory. Okta will provide the robust technical capabilities along with the deployment speed required for compliance deadlines while eliminating operational silos.

- Upsell (OIG): A Fortune 500 retailer and existing Auth0 customer expanded its relationship with Okta this quarter to modernize and unify its workforce identity foundation. Facing a complex legacy architecture and tight migration timeline, the company needed a trusted partner to simplify deployment and reduce time-to-value for its engineering team. OIG will automate modernize access requests and certification campaigns while reducing dependency on third parties for day to day business operations as the organization scales. With Okta, the retailer will consolidate identity infrastructure and address long term security needs.

- New OCI: A U.S. Department of Defense organization adopted Okta Customer Identity this quarter to support modernization efforts and meet zero-trust mandates for least privileged access. The organization sought to modernize its governance and access request processes to streamline access management and support strict compliance objectives. Okta will deliver a flexible and scalable governance solution with rapid time-to-value, improving operational efficiency while helping the organization meet evolving security and audit requirements.

- New Auth0: A leading North American bank selected Auth0 this quarter as its customer identity foundation to power digital banking services and accelerate expansion across major retail partnerships. The bank was constrained by a fragmented legacy identity footprint that created security gaps, caused friction for users and developers, and made it difficult to meet strict financial regulatory mandates. The bank will deploy Auth0 on a dedicated private cloud environment, establishing a scalable phishing-resistant foundation to defend against social engineering fraud. Auth0 will enable seamless authentication for millions of digitally active accounts.

- Upsell (Workforce): A large U.S. federal agency expanded its use of Okta this quarter, adopting Okta Workflows to bolster its existing identity architecture. The agency needed to automate complex identity lifecycles, reduce dependency on fragile legacy governance tools, and rapidly contain active identity threats. Okta will enable the agency to establish an automated security posture that aligns with strict federal compliance mandates and drive operational efficiency.

- Upsell (Auth0): A Global 2000 pharmaceutical company expanded its existing Auth0 footprint to power a third-party digital pharmacy fulfillment network. This new initiative required strict architectural isolation to securely onboard the fulfillment partner and satisfy rigorous data privacy mandates from legal and compliance teams. Leveraging Auth0 as its foundational identity provider across all B2B and B2C channels will allow the company to seamlessly scale its infrastructure. Auth0 will deliver a secure and frictionless digital experience as the company rolls out the new fulfillment network and expands future pharmacy business lines.

- Upsell (Auth0): A Global 2000 education company is modernizing its customer identity infrastructure by transitioning from a complex on-premises system to a modern, cloud-native architecture with Auth0. Auth0 was selected to accelerate time-to-production, simplify daily operations, and slash business partner onboarding times. Auth0 will establish the identity foundation required to securely integrate future AI agents and agentic workflows, allowing the company to deliver a unified, secure customer experience across all digital portals.

TECHNOLOGY PARTNERSHIPS

As the leading independent identity provider, we're partnering with industry leaders across hyperscalers, ISVs, and frontier AI vendors to address the agentic security market.

- Cisco Cloud Control Studio Agent Builder: Okta was announced as a launch partner for Cisco's Cloud Control Studio Agent Builder. The integration will enable joint customers to use authorized AI agents and natural language to connect directly to Okta's Managed MCP server to perform administrative tasks, pull identity context, correlate security signals, and propose remediations.

- Google Cloud Collaboration: Okta is expanding its collaboration with Google Cloud to bring together best-of-breed identity, cloud, and productivity solutions that help joint customers strengthen security and resilience across their AI-powered workforce. Through new integrations between Okta and Gemini Enterprise Agent Platform and Chrome Enterprise, the companies are extending enterprise-grade security and identity governance to AI agents while protecting users, access, and devices across browser-based work.

- Anthropic Enterprise-Managed Authorization: Anthropic announced Okta as a featured identity provider supporting their beta program, which enables joint customers to leverage Okta to help govern their use of Claude and access to applications from participating MCP providers, including Asana, Atlassian, Canva, Figma, Granola, Linear, and Supabase. By using Okta as the governance layer for Claude Enterprise workflows, IT admins can authorize MCP connectors once for their organization, scope access by groups or roles, and revoke access through Okta when users or deployed agents are offboarded.

- Cross App Access Ecosystem Expansion: Okta has expanded its Cross App Access (XAA) ecosystem to enable customers to help securely manage AI agent-to-app and app-to-app connections within the identity perimeter. Through 25+ new XAA integrations, Okta is providing a standardized way to govern how AI agents connect to enterprise applications and resources, helping ensure every connection flows through centralized identity policy, every action is logged, and access is tightly scoped.

- ❖ OpenAI Daybreak Cyber Partner Program: OpenAI's Daybreak Cyber partner program integrates OpenAI with cybersecurity companies, global systems integrators, and specialist firms to develop practical, governed solutions for defenders. Okta will leverage OpenAI's frontier cyber capabilities in the product development lifecycle. This enables engineering teams to shift from patch management to autonomous, sandboxed code hardening, shrinking vulnerability windows before code reaches production. This will also help Okta remain secure-by-design and strengthen platform resilience.

- ❖ NVIDIA Open Secure AI Alliance: Okta has joined NVIDIA's Open Secure AI Alliance, which was formed to build and share open tools that promote responsible use of and trust in AI. This alliance will work to remediate and disclose vulnerabilities using open technologies.

- ❖ Databricks Unity AI Gateway: Okta was a launch partner for Unity AI Gateway, Databricks' governance solution for enterprise AI. Built on the foundation of Unity Catalog, it extends governance beyond data and AI assets to the runtime interactions between models, agents, MCP servers, skills, and AI tools. Through collaboration between Databricks and Okta, organizations can extend enterprise identity controls into agent workflows, govern agent identities, delegate access, and manage access across apps.

- ❖ Snowflake Cortex AI Gateway: Snowflake introduced Cortex AI Gateway with several AI security innovations that establish the foundation for trusted agent interoperability, enabling organizations to securely scale their agentic enterprises. New secure third-party agent access integrations, including with Okta, are setting a new standard for how enterprises govern and audit AI agents across the security ecosystem. The integration with Okta will help enterprises deploy third-party agents with consistent security and control.

- ❖ Amazon Web Services (AWS) Strategic Collaboration Agreement: Okta signed an expanded multi-year Strategic Collaboration Agreement with AWS. Building on a partnership that already protects thousands of enterprise customers across 25+ joint integrations, this new agreement will enable customers to secure agentic AI and accelerate cloud transformation through deepened joint product innovation, commercial alignment, and go-to-market execution with Okta's extended partner ecosystem.

FINANCIAL OUTLOOK

For Q3 and FY27 we continue to take a prudent approach to forward guidance.

For the third quarter of FY27, we expect:

- Total revenue of $813 million to $817 million, representing a growth rate of 10%;
- Current RPO of $2.590 billion to $2.600 billion, representing a growth rate of 11% to 12%;

- Non-GAAP operating income of $196 million to $200 million, which yields a non-GAAP operating margin of 24% to 25%;
- Non-GAAP diluted net income per share of $0.92 to $0.94, assuming diluted weighted-average shares outstanding of approximately 184 million; and
- Non-GAAP free cash flow of $175 million to $185 million, yielding a free cash flow margin of 21% to 23%.

For FY27, we now expect:

- Total revenue of $3.216 billion to $3.226 billion, representing a growth rate of 10% to 11%;
  - Reflected in the revenue guidance is an approximately one percentage point impact to total revenue growth resulting from our decision to accelerate the shift of professional services business to our partners. This change is expected to create a headwind to professional services revenue.
- Non-GAAP operating income of $830 million to $840 million, which yields a non-GAAP operating margin of 26%;
- Non-GAAP diluted net income per share of $3.90 to $3.94, assuming diluted weighted-average shares outstanding of approximately 184 million; and
- Non-GAAP free cash flow of $910 million to $930 million, which yields a free cash flow margin of 28% to 29%.
  - Reflected in the free cash flow guidance is an approximately one percentage point impact related to lower interest income due to the combined impact from the stock repurchase program and our settlement of the 2026 Notes in cash.

Q3 and FY27 outlook assumes a static 21% non-GAAP effective tax rate.

FORWARD-LOOKING STATEMENTS

This prepared commentary contains "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, including but not limited to, statements regarding

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our financial outlook, business strategy and plans, market trends, opportunities and positioning. These forward-looking statements are based on current expectations, estimates, forecasts and projections. Words such as "expect," "anticipate," "should," "believe," "hope," "target," "project," "goals," "estimate," "potential," "predict," "may," "will," "might," "could," "intend," "shall" and variations of these terms and similar expressions are intended to identify these forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements are subject to a number of risks and uncertainties, many of which involve factors or circumstances that are beyond our control. For example, adverse macroeconomic conditions could reduce demand for our solutions; we and our third-party service providers could experience additional cybersecurity incidents; we may be unable to manage or sustain our revenue growth and profitability; we may fail to keep pace with technological change; our financial resources may be insufficient to effectively compete in our market; we may be unable to attract new customers, or retain or sell additional solutions to existing customers; we may fail to maintain strategic partnerships to promote or enhance our solutions; we may experience challenges expanding our existing marketing and sales capabilities, including further specializing our go-to-market organization; our customer growth could further decelerate; interruptions or performance problems could adversely impact our technology; and we and our third-party service providers could fail to fully comply with applicable privacy and security requirements. Further information on potential factors that could affect our financial results is included in our most recent Annual Report on Form 10-K and our other filings with the Securities and Exchange Commission. The forward-looking statements included in this prepared commentary represent our views only as of the date of this prepared commentary and we assume no obligation and do not intend to update these forward-looking statements.

NON-GAAP RECONCILIATION

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

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

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

In addition to these exclusions, we subtract an assumed provision for income taxes to calculate non-GAAP net income. Effective February 1, 2026, the beginning of our first quarter of fiscal 2027, we are using a fixed long-term projected non-GAAP tax rate of 21% in our computation of the non-GAAP income tax provision. Through fiscal 2026 we used a tax rate of 26%. The non-GAAP tax rate is subject to change for a variety of reasons, including changes in tax laws and regulations, significant changes in our geographic earnings mix, or other changes to our strategy or business operations. We will periodically reevaluate the projected long-term tax rate, as necessary, for significant events based on our ongoing analysis of relevant tax law changes, material changes in the forecasted geographic earnings mix, and any significant acquisitions.

We define free cash flow, a non-GAAP financial measure, as net cash provided by operating activities, less cash used for purchases of property and equipment, net of sales proceeds, and capitalized software. Free cash flow margin is calculated as free cash flow divided by total revenue. We use free cash flow as a measure of financial progress in our business, as it balances operating results, cash management, and capital efficiency. We believe information regarding free cash flow provides investors and others with an important perspective on the cash available to make strategic acquisitions and investments, to fund ongoing operations, and to fund other capital expenditures. Free cash flow can be volatile and is sensitive to many factors, including changes in working capital and timing of capital expenditures. Working capital at any specific point in time is subject to many variables, including seasonality, the discretionary timing of expense payments, discounts offered by vendors, vendor payment terms, and fluctuations in foreign exchange rates.

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

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

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

Non-GAAP Operating Income and Non-GAAP Operating Margin

	Three Months Ended July 31,		Six Months Ended July 31,	
	2026	2025	2026	2025
Operating income	$ 107	$ 41	$ 163	$ 80
Add:				
Stock-based compensation expense	114	144	231	272
Amortization of acquired intangibles	3	17	21	34
Acquisition and integration-related expenses	2	—	2	—
Non-GAAP operating income	$ 226	$ 202	$ 417	$ 386
Operating margin	13 %	6 %	10 %	6 %
Non-GAAP operating margin	28 %	28 %	27 %	27 %

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

	Three Months Ended July 31,		Six Months Ended July 31,	
	2026	2025	2026	2025
Net income	$ 116	$ 67	$ 190	$ 129
Add:				
Stock-based compensation expense	114	144	231	272
Amortization of acquired intangibles	3	17	21	34
Acquisition and integration-related expenses	2	—	2	—
Amortization of debt issuance costs	—	—	—	1
Tax adjustment	(41)	(59)	(82)	(109)
Non-GAAP net income	$ 194	$ 169	$ 362	$ 327
Net margin	14 %	9 %	12 %	9 %
Non-GAAP net margin	24 %	23 %	23 %	23 %
Weighted-average shares used to compute net income per share, basic	174,298	175,460	175,198	174,827
Non-GAAP weighted-average effect of potentially dilutive securities	10,150	9,767	9,042	9,386
Non-GAAP weighted-average shares used to compute non-GAAP net income per share, diluted	184,448	185,227	184,240	184,213
Net income per share, diluted	$ 0.65	$ 0.37	$ 1.07	$ 0.72
Non-GAAP net income per share, diluted	$ 1.05	$ 0.91	$ 1.96	$ 1.77

Free Cash Flow and Free Cash Flow Margin

	Three Months Ended July 31,		Six Months Ended July 31,	
	2026	2025	2026	2025
Net cash provided by operating activities	$ 234	$ 167	$ 511	$ 408
Less:				
Purchases of property and equipment	(1)	(2)	(2)	(3)
Capitalized software	(6)	(3)	(11)	(5)
Free cash flow	$ 227	$ 162	$ 498	$ 400
Net cash provided by investing activities	$ 271	$ 238	$ 193	$ 118
Net cash used in financing activities	$ (501)	$ (22)	$ (794)	$ (67)
Operating cash flow margin	29 %	23 %	33 %	29 %
Free cash flow margin	28 %	22 %	32 %	28 %