



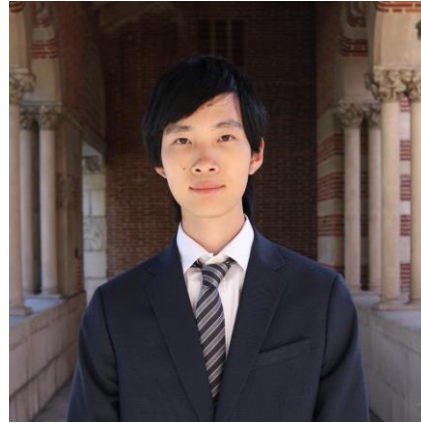
Okta Inc.

OKTA

Overweight



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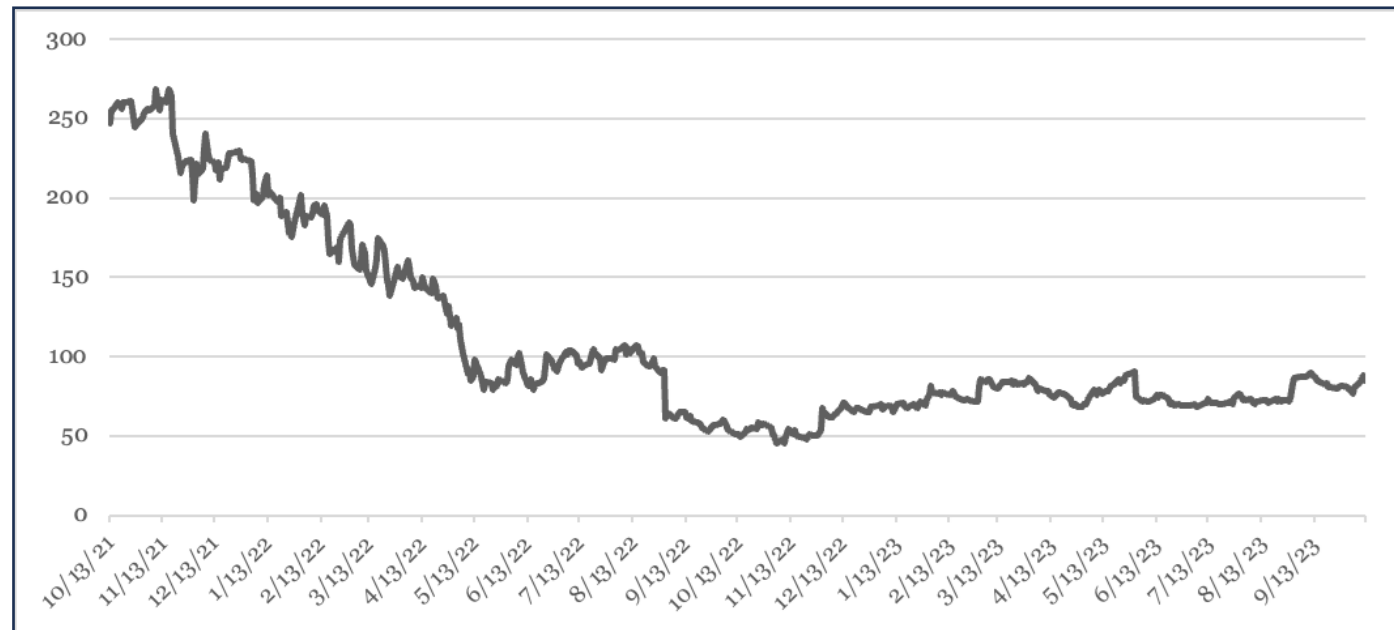
Valuation Summary

Target Price:	\$123.26
2028 (5Yr.) Revenue Projection:	10.8 B
WACC	9.59%
Terminal Growth:	4.0%
Assumed Exit Multiple:	13.2x

Key Statistics

Current Stock Price:	\$86.17
52 Week High:	\$91.50
52 Week Low:	\$44.12
LTM Revenue:	\$2,065 M
2022 Revenue:	\$1,300 M
'23 Revenue Growth Rate:	42.9%
LTM Gross Margin:	72.5%
LTM EBITDA:	\$(530) M
P/E:	(23.0)x
EV/Revenue:	6.6x

3 Yr. Price History



Key Drivers

- Industry Tailwinds:** Growing interest in interoperability, cloud adoption, and cybersecurity complement Okta's position as a leading provider of Identity and Access Management.
- Acquisition:** Okta acquired Autho, a leading CIAM provider, for \$6.5 billion in an all-stock deal in May 2021. This diluted Okta's shareholders by 20%, reflected by a 10% drop in the stock price immediately post-announcement. Okta is currently trading 3x lower than it traded pre-announcement.
- Customer Base:** Okta has over 16,400 customers globally, spanning large enterprises, SMBs, non-profits, and government organizations. Given the inherent stickiness of company-wide integrations and diversified customer base, we believe Okta is well poised to continue capturing market share.

Our View



We believe Okta is well-poised to emerge as a dominant, standalone, cloud-native identity platform catering to the expanding suite of non-Microsoft SaaS applications. The ongoing momentum in cloud adoption, coupled with digital transformation initiatives, further bolsters Okta's position. We also priced in tailwinds from the market's mispricing of the Auth0 acquisition, the White House's ambitious zero-trust security mandate with its emphasis on identity security and the potential for ubiquitous browser and device-level support for passwordless authentication catalyzing a shift away from less-secure multi-factor authentication towards WebAuthn, there appears to be long term upside potential for Okta's Auth0 consumer identity platform. As such, we have an average target price of **\$123.26**, higher than the street.

The Street View



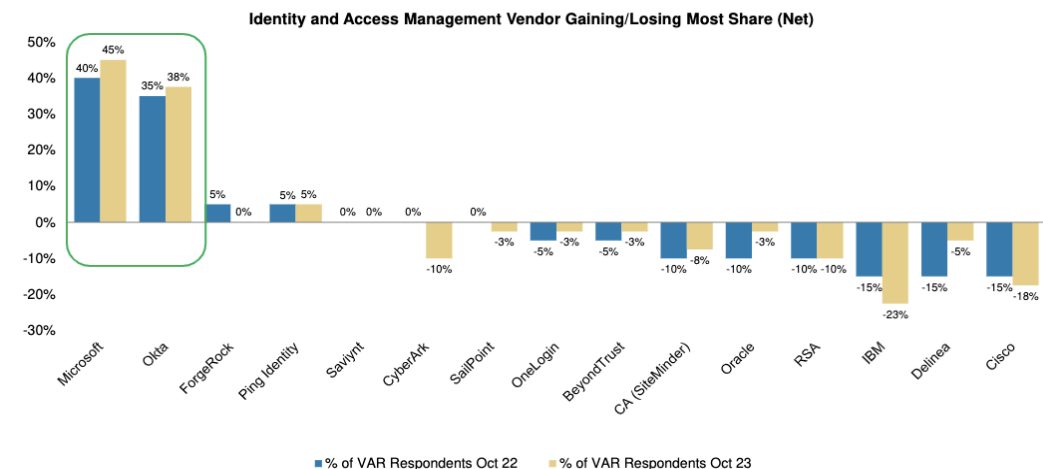
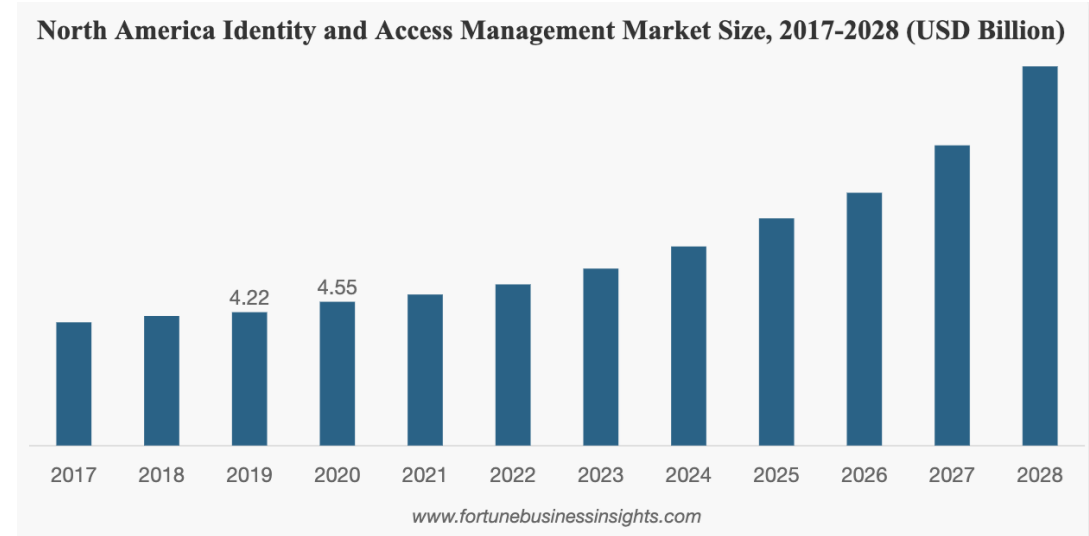
OKTA remains a long-term share winner in Identity and Access Management, a large and rapidly growing market opportunity tied to key secular themes such as Cloud adoption and an increasingly hybrid workforce. However, recent sales execution issues and ongoing challenges in integrating the Auth0 acquisition from last year leave the company without an effective GTM vehicle, which will take time to recover. With a \$41 billion estimated TAM, the market sees Okta in the near term. This keeps the market at Equal-weight, despite near-term execution issues, yielding a **\$85** Price Target.

Industry

With accelerating digital transformation, increasing cloud integrations/adoption of cloud solutions, and evolving cybersecurity threats, the Identity and Access Management (IAM) sector is emerging as a critical juncture in modern digital infrastructure. Organizations are swiftly pivoting towards the creation of secure, consumer-centric applications, leaning on IAM to deliver seamless and private digital experiences. As the paradigm shifts from traditional network-focused defenses to the adaptive, context-driven Zero Trust model, IAM is increasingly recognized as the definitive tool for regulating user access and safeguarding digital assets.

- Global Cloud Computing valued at 677.95 billion in 2023(20% CAGR)
- Zero Trust is a security concept that discards the traditional "trusted" internal network model, advocating for verification of every user and device, regardless of location or network.
- Identity and Access Management has an expected CAGR of 14.5%.
- 90% of businesses are now using cloud services, intensifying the demand for cloud-native IAM solutions.
- White House explicated ambitious Zero-Trust security mandate and fundamental emphasis on identity security and governance

Industry Market Size Projection



Key Points

- November 2021 height of bull market
- Public cloud market cap of \$2.7 T (2021) vs. \$1.3 T (2023)
- 2022 SaaSacre: cloud markets tumbled disproportionately compared to other broad market indices
- Headwinds due to fears over lengthening sales cycles and tighter customer budgets
- SaaS IPOs screeching halt in 2022
- SaaS M&A slowed in 2022
- Global Centaur count (SaaS businesses with \$100M+ ARR) steadily growing, indicating cloud ecosystem health

The SaaSacre



-41.9%
EMCLLOUD

-22.8%
NASDAQ

-14.3%
S&P 500

-9.0%
Dow Jones

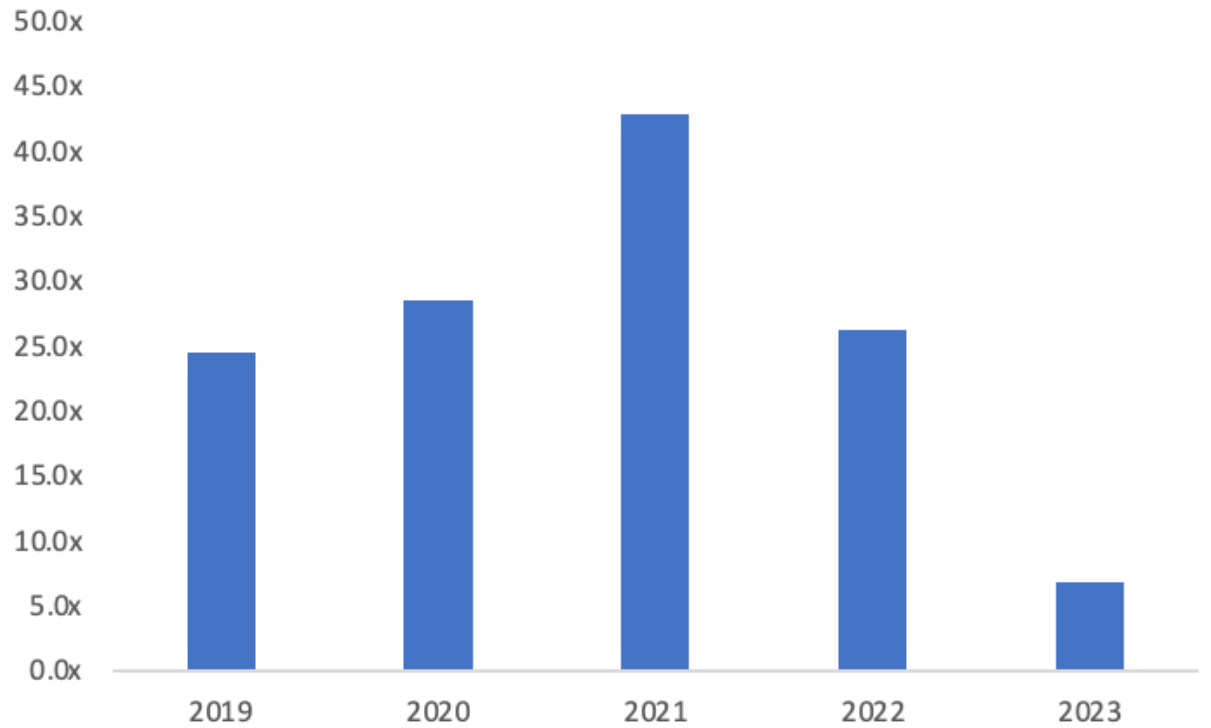
3. Industry Overview - EMCLOUD Multiples Declining

NYSE: OKTA

Cloud Revenue Multiple Compression



OKTA Revenue Multiples



Record high multiples of prior years inflated by hyper low interest rates and stimulatory environment have not just regressed to mean – they are currently reset below normalized, historical long-term averages. 10-Y US Treasury yield in general fluctuated over the years, showing a decline after 2018. OKTA's revenue multiple contraction has historically been even more pronounced than the general cloud sector evidence of a harsh market perception.

Cloud Adoption

- In the digital transformation era, cloud adoption is surging at an unparalleled rate, fueled by the pursuit of scalable infrastructure, operational efficiencies, enterprise demand for remote accessibility, and a shift towards data-driven decision-making,

Cybersecurity

- The emphasis by the White House on the ambitious zero-trust security mandate underscores the increasing importance of identity security, governance, and privileged account management in the modern cybersecurity landscape.
- Although identity security might currently be a tertiary enterprise security priority, as per IDC, the U.S. zero-trust mandate and the wider enterprise adoption of such security models can provide sustained momentum for Okta's integrated, cloud-native identity platform in the long term.

Interoperability

- With the native support for WebAuthn by all major web browsers (including Chrome, Safari, Firefox, and Edge), there's a clear push towards a more universally accepted, phishing-resistant, and passwordless authentication protocol.
- The shift towards WebAuthn and away from less secure multi-factor authentication methods indicates a broader trend in interoperability.

<https://my-ibisworld-com.libproxy1.usc.edu/us/en/industry/52411b/external-environment>

3. Industry Overview – Key Competitors

NYSE: OKTA



Microsoft Azure

Company Description: Azure Active Directory (Azure AD), a flagship authentication solution from Microsoft, integrates seamlessly with Azure, Microsoft 365, and web single sign-on systems, distinguishing itself as a leader in cloud-based user management with over 200 million active business users. Handling an astounding 30 billion authentication requests daily, it's not merely a cloud alternative to on-premises Active Directory but functions in collaboration with it. Designed with a clear focus on Windows infrastructures, Azure AD offers Single Sign-On (SSO), advanced Multi-Factor Authentication (MFA), and more. While its unparalleled integration with the Microsoft ecosystem is a draw for many – proven by its adoption by 90% of Fortune 500 companies – the requisite on-prem Active Directory connection may be a consideration for some.

Notes: CapitalIQ, Company Filings



CYBERARK®

Elevance Health

Company Description: CyberArk Software is a market leader in Privileged Access Management (PAM) that stands out as a trusted safeguard against internal and external threats. Over 50% of the Fortune 500 rely on CyberArk's solutions, making it a go-to choice for enterprises aiming to secure their most sensitive access points. With a global reach and a commendable track record of safeguarding tens of millions of privileged credentials, the company's solutions are both expansive and in-depth. Recognized by prominent industry analysts as a PAM market leader, CyberArk defines standards in privileged access security.



Amazon Web Services

Company Description: Within the cloud-based authentication landscape, Amazon Web Services' Identity and Access Management (IAM) emerges as a foundational component of AWS's comprehensive service offering. A distinguishing characteristic is its design tailored for AWS-centric architectures, which accentuates its effectiveness in native AWS application deployments and migrations.



Business Model Overview

Okta Inc. offers a cloud-powered identity management solution tailored for businesses. Their comprehensive suite includes over 7,500 integrations and features like a Universal Directory, Single Sign-On capabilities, Multi-Factor Authentication, B2B Integration, API Access Control, and Lifecycle Management tools. This platform ensures that individuals can securely access various online applications, websites, and mobile apps across different devices. Catering to a diverse range of sectors, including healthcare, government, education, energy, finance, tech, travel, hospitality, and more, Okta serves over 18,000 customers using monthly subscription model.

Key Statistics

Valuation

Market Capitalization: \$13.08 Bn
 EV / Sales: 5.7x
 P / E: -23.0x

Income

LTM Revenue: \$1858 MM
 2024E Revenue: \$2215 MM
 LTM Revenue Growth: 19.2%
 LTM Operating Income: \$68.9
 2024E Operating Income: \$219.7 MM

Profitability

Gross Margin: 72.5%
 EBITDA Margin: (25.7)%
 Net Income Margin: (28.67)%



Industry Leader
 In Gartner's Magic
 Quadrant for Access
 Management



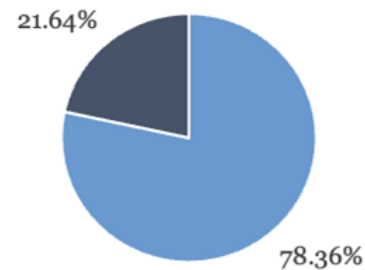
Zero Trust Strategy
 Leads to 50% fewer
 breach incidents and
 90% faster integration



Complete Solution
 Offers 14 SDKs and 31
 API endpoints to service
 all developer needs

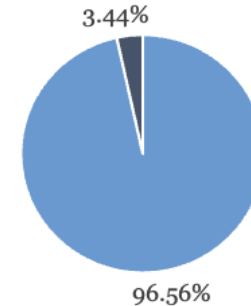
Revenue and Cost Mix (Pie Charts)

Geographic Mix



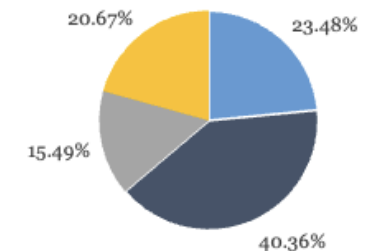
■ Domestic ■ International

Revenue Mix



■ Subscription ■ Professional Services

Cost Mix



■ R&D ■ Sales and Marketing ■ General and Administrative ■ Cost of Revenue



Cloud-based Identity Access Management (IAM) software that manages infrastructure access and authentication across all servers and endpoints.

Identity Authentication

End-to-end integration allows for streamlined identity management including adaptive MFA, SSO, and passwordless authentication for client employees and partners

Developer Support

With 7,500 pre-built integrations, and extensive access to API and SDK security, developers are equipped with tools for Privileged Access Management (PAM), API access management, endpoint access management, and identity automation and orchestration

Automation

Client access workflows are streamlined by a comprehensive directory of firm cloud infrastructure and endpoints, no-code workflow automation/orchestration, and AI-powered Identity Threat Protection



Cloud-based Customer Identity and Access Management (CIAM) software that offers a customizable Universal Login experience through a unified platform; existing CIAM capabilities were improved and expanded upon through the Auth0 acquisition

Identity Authentication

No-code customizable Universal Login supported by passwordless, social login, and adaptive MFA capabilities streamline customer logins and site access

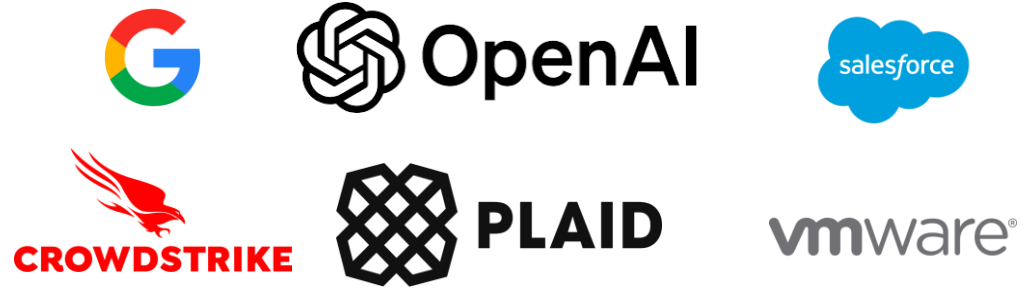
Data Collection and Management

Clients can collect data to profile customers and customize identity flows. Automation/orchestration of B2B customer authentication is streamlined with pre-built integrations of common enterprise identity infrastructures

Attack Detection and Protection

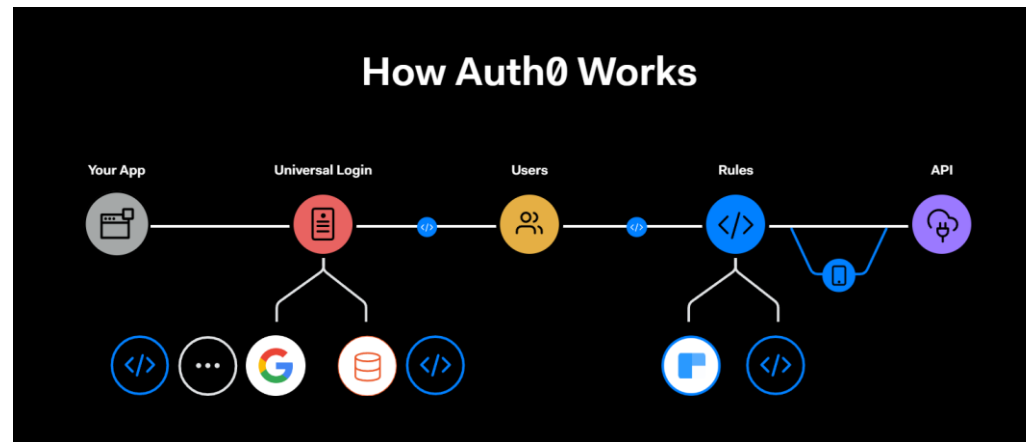
Bot Detection uses ML to identify threats and mitigate attacks, and Attack Protection tracks identity threats, breached passwords, and suspicious attack signals

Key Customers



Key partners: Amazon Web Services (AWS), CrowdStrike, Google, Netskope, Palo Alto Networks, Plaid, Proofpoint, LexisNexis Risk Solutions, OpenAI, Microsoft, Salesforce, ServiceNow, VMware, Workday, Yubico and Zscaler.

Okta markets its products both directly via its in-house sales force and through a collaborative network of partners such as resellers and system integrators. As of January 2023, Okta boasts a clientele of over 17,600, encompassing large corporations, SMEs, educational institutions, non-profit organizations, and governmental bodies. Additionally, the company has successfully integrated with over 7,000 cloud, mobile, and web platforms, as well as IT service providers.



4. Company Overview - Management

NYSE: OKTA



Todd McKinnon
CEO

Mr. Todd McKinnon has been the Chairman and Chief Executive Officer of the company since 2009. He is also the Co-Founder of the company. Prior to this, he served various roles as the Senior Vice President of Development at Salesforce from 2003 to 2009. Mr. McKinnon also held various engineering and leadership positions at PeopleSoft, Inc. from 1995 to 2003



Frederick Kerrest
COO

Mr. Frederic Kerrest has been the Vice Chairman of the company since 2019 and the Chief Operating Officer and a Director since 2009. Prior to this, he held various sales and business development roles at salesforce.com Inc from 2002 to 2007.



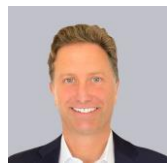
Angela Grady
EVP

Ms. Angela Grady is the Executive Vice President, Chief of Staff to the Chief Executive Officer of the company. Prior to this, she also works with Okta's Board of Directors to facilitate alignment



Diya Jolly
CPO

Ms. Diya Jolly is the Chief Product Officer of the company. Prior to this, she served as the Vice President of Product Management of Google, Home, Nest, YouTube monetization, and Gmail monetization from 2011 to 2019. Previously, she served as the Vice President of Product at FreeWheel. Ms. Jolly held various roles at Microsoft and Motorola



Brett Tighe
CFO

Mr. Brett Tighe has been Chief Financial Officer of the company since January 2022. Prior to this, he served as the Senior Vice President of FP&A and Treasury of the company. Previously, he held various positions of finance at Salesforce.com. Mr. Tighe, served as a Senior Director of Corporate Finance and Strategy.



Sagnik Nandy
CTO

Mr. Sagnik Nandy has been the President of Technology and Chief Technology Officer of the company since 2021. Prior to this, he served as the Vice President of Engineering at Google.



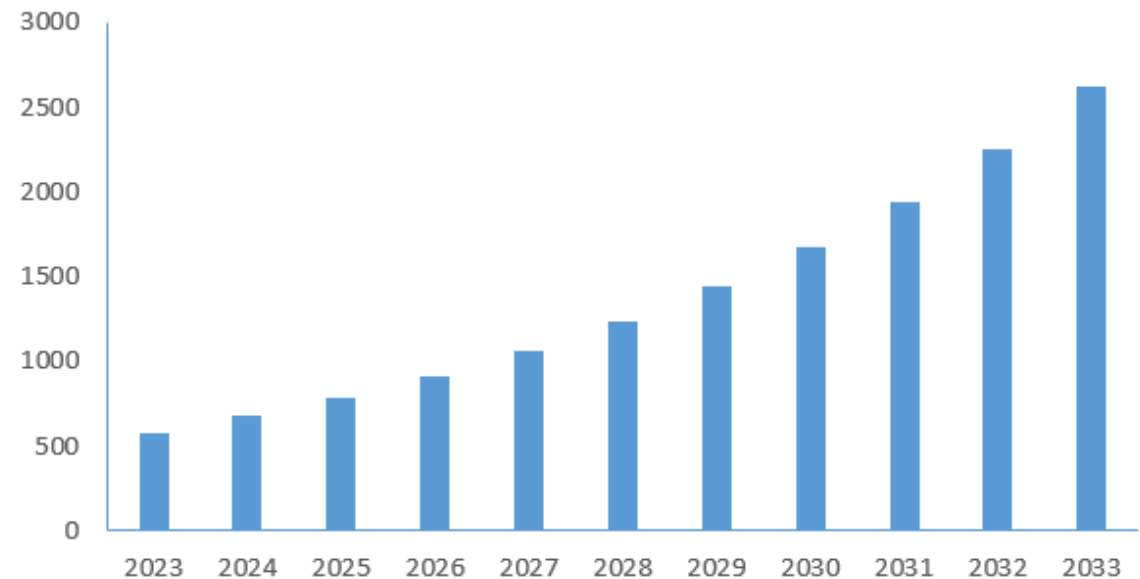
Industry

The Cloud Computing Market is projected to more than double from 2023 to 2028, reaching USD 1.24 trillion, driven by the integration of emerging technologies such as big data, AI, and ML. Companies are leaning towards hybrid cloud solutions to achieve agility and competitive advantage. The shift to remote work due to the COVID-19 pandemic emphasized the importance of cloud adoption, making it pivotal for collaboration and digital transformation, especially in sectors like healthcare.

- The rise in cloud adoption, combined with digital transformations, fuels the uptake of Okta. This is particularly relevant as large cloud companies like AWS and various public cloud SaaS vendors such as Salesforce, ServiceNow, and Workday have integrated natively with Okta, with some even co-selling Okta's identity platform
- Okta is positioned as a leading independent, pure-cloud identity platform, especially as alternatives to Microsoft's suite of SaaS applications become popular.

Industry Market Size Projection

Cloud Computation



Opportunities

1. Potential Addressable Market
 - a. Auth0's main services of workforce identity and customer identity are \$55Bn markets. The customer identity space alone effectively doubles Okta's addressable market.
2. Competition and pricing power
 - a. Auth0 is the most prominent alternative that customers consider when evaluating Okta. By buying it, Okta is the one-stop identity shop
3. Strategic Acquisition
 - a. Salesforce was interested in acquiring Auth0, which would cement them as the top players in the identity market
4. Revenue Stream
 - a. Auth0 brings \$200M in recurring revenue that's growing at 50% and doesn't seem slow down
5. Partnerships
 - a. Through partnerships with Splunk, OpenAI, AWS, pwc, Cognizant, Hashicorp, Guidepoint Security, and more Auth0

Deal Metrics

All stock transaction valued at \$6.5 billion that closed on March 4th, 2021. Auth0 was deliberately allowed to continue to operate as an independent unit to ensure operational continuity, uphold customer trust, and foster potential integration over time.

Market Reaction



6. Key Driver 3: Path to Profitability

(OKTA)

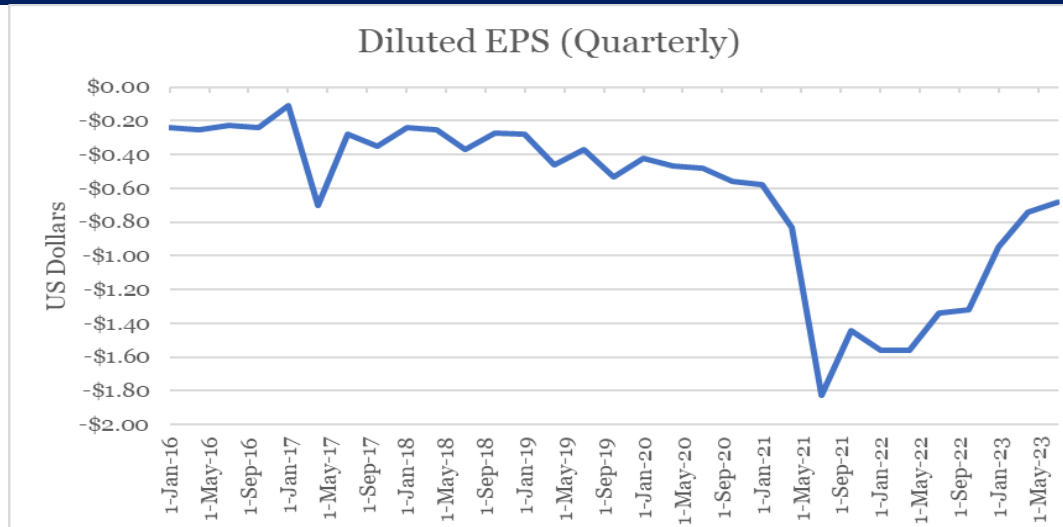
Profitability...

1. Sales Restructuring
 - a. Feb-2023: Okta announces cost-cutting initiative to reduce operating expenses; 5% of workforce laid off
2. Operating Margin is Improving
 - a. Operating expenses have steadily declined (as a % of revenue) since Q2 of 2021
3. Improvement in EPS QoQ Since Q1 2022
 - a. Diluted EPS has improved increased by 36% since Q1 2022

... Expands Multiples

1. Shift from Growth to Profitability
 - a. Revenue has grown at a CAGR of 47% over the past 4 years; improving profitability moves Okta closer to becoming a true Rule of 40 company
2. Profitability, not Growth in Recessiary Environments
 - a. The SaaSacre illustrated that in recessionary environments, investors value *profitable* SaaS companies; growth is necessary but not sufficient

EPS Rebound/Growth



Income Statement Highlights

- Revenue
 - Average Yoy Revenue growth of 39.80
 - Positive Rev growth for the past 4 years
 - Subscription Rev was up 26%
 - FY 2024 projection is \$2,215 M, a 19% increase
- Strong gross margin: Q2 2024 - 79.8%;78.6% for FY 2023
- Operating Expenses have increased in similar proportion to revenue but
 - A lot of SGA is going towards marketing. As okta matures, it will receive more word of mouth and marketing expenses will lessen (Customers grew 80% over the past 2 years)
 - Stock based compensation is a significant expense as well
- Net Income
 - Has been negative
 - Increased 40% over last 36 months

Income Statement

For the Fiscal Period Ending	Reclassified	Reclassified	Restated	Restated	12 months	LTM
	12 months	12 months	12 months	12 months		12 months
	Jan-31-2019	Jan-31-2020	Jan-31-2021	Jan-31-2022	Jan-31-2023	Jul-31-2023
<i>Currency</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
Revenue	399.3	586.1	835.0	1,300.0	1,858.0	2,065.0
Total Revenue	399.3	586.1	835.0	1,300.0	1,858.0	2,065.0
Cost Of Goods Sold	113.4	159.4	218.0	394.0	545.0	567.0
Gross Profit	285.8	426.7	617.0	906.0	1,313.0	1,498.0
Selling General & Admin Exp.	303.1	449.8	598.0	1,149.0	1,469.0	1,487.0
R & D Exp.	102.4	159.3	223.0	469.0	620.0	637.0
Other Operating Exp., Total	405.5	609.1	821.0	1,618.0	2,089.0	2,124.0
Operating Income	(119.6)	(182.4)	(204.0)	(712.0)	(776.0)	(626.0)
Interest Expense	(15.1)	(27.0)	(73.0)	(91.0)	(11.0)	(10.0)
Interest and Invest. Income	9.2	17.0	14.0	1.0	21.0	49.0
Net Interest Exp.	(5.9)	(10.1)	(59.0)	(90.0)	10.0	39.0
EBT Excl. Unusual Items	(125.5)	(192.4)	(263.0)	(802.0)	(766.0)	(587.0)
Restructuring Charges	-	-	-	-	(29.0)	(53.0)
Merger & Related Restruct. Charges	-	(3.4)	-	(56.0)	(7.0)	(7.0)
Gain (Loss) On Sale Of Invest.	-	0.1	(1.0)	8.0	1.0	1.0
Other Unusual Items	-	(14.6)	(2.0)	-	-	73.0
EBT Incl. Unusual Items	(125.5)	(210.3)	(266.0)	(850.0)	(801.0)	(573.0)
Income Tax Expense	0	(1.4)	-	(2.0)	14.0	19.0
Net Income	(125.5)	(208.9)	(266.0)	(848.0)	(815.0)	(592.0)

Balance Sheet Highlights

- Assets
 - Receivables, Prepaid Exp, PPE all increases
 - Jump in assets was due to goodwill
- Liabilities
 - Current portion of debt is 0 so there is still time until debt matures
 - Most Accounts Payable have also been paid off
 - Deferred Revenue of \$1,242 million and Long Term Debt of \$2,193 million could pose risks on the cash flow in long run
- Shareholders Equity
 - Rate at which Retained Earnings is negative has slowed down
 - APIC has steadily increased YOY

Balance Sheet						
Balance Sheet as of:						
	Restated Jan-31-2019	Jan-31-2020	Jan-31-2021	Restated Jan-31-2022	Jan-31-2023	Jul-31-2023
Currency	USD	USD	USD	USD	USD	USD
ASSETS						
Cash And Equivalents	298.4	520.0	434.6	260.0	264.0	356.0
Short Term Investments	265.4	883.0	2,152.6	2,242.0	2,316.0	1,750.0
Total Cash & ST Investments	563.768	1403.024	2587.191	2502	2580	2106
Accounts Receivable						
Other Receivables	-	5.7	10.5	6	10	15
Total Receivables	93.4	135.8	205.3	404.0	491.0	403.0
Prepaid Exp.						
Restricted Cash	1.4	0.5	4.6	5.0	-	5.0
Other Current Assets	24.2	33.6	45.9	75.0	92.0	101.0
Total Current Assets	708.1	1,599.7	2,878.6	3,041.0	3,229.0	2,686.0
Gross Property, Plant & Equipment						
Accumulated Depreciation	(9.6)	(16.4)	(22.3)	(35.0)	(48.0)	-
Net Property, Plant & Equipment	174.3	178.7	212.4	213.0	181.0	141.0
Long-term Investments	-	-	3.1	15.0	25.0	-
Goodwill	18.1	48.0	48.0	5,401.0	5,400.0	5,406.0
Other Intangibles	13.897	32.529	27.009	317	241	211
Deferred Charges, LT	54.8	77.9	108.6	191.0	210.0	218.0
Other Long-Term Assets	15.1	18.5	21.2	28.0	21.0	51.0
Total Assets	984.313	1955.395	3298.797	9206	9307	8713
LIABILITIES						
Accounts Payable	2.431	3.837	8.557	20	12	13
Accrued Exp.	40.9	62.8	96.6	192.0	166.0	218.0
Curr. Port. of LT Debt	271.6	100.7	908.7	16.0	-	-
Curr. Port. of Leases	10.914	12.064	23.403	27	32	-
Curr. Income Taxes Payable	1.2	1.6	2.5	7.0	5.0	-
Unearned Revenue, Current	245.6	365.2	592.7	973.0	1,242.0	1,225.0
Other Current Liabilities	0.4	0.7	3.1	8.0	8.0	-
Total Current Liabilities	573.1	547.0	1,545.6	1,243.0	1,465.0	1,456.0
Long-Term Debt	-	837.0	857.4	1,816.0	2,193.0	1,451.0
Long-Term Leases	147.0	154.5	179.5	171.0	142.0	122.0
Unearned Revenue, Non-Current	8.8	6.2	10.9	23.0	18.0	17.0
Def. Tax Liability, Non-Curr.	0.7	1.6	3.9	9.0	12.0	-
Other Non-Current Liabilities	2.3	3.8	7.5	22.0	11.0	27.0
Total Liabilities	731.9	1,550.1	2,604.8	3,284.0	3,841.0	3,073.0
Common Stock						
Additional Paid In Capital	744.896	1105.564	1656.096	775.0	7974	8359
Retained Earnings	(492.2)	(701.1)	(967.5)	(1,816.0)	(2,475.0)	(2,705.0)
Treasury Stock	-	-	-	-	-	-
Comprehensive Inc. and Other	-0.3	0.892	5.39	-12	-33	-14
Total Common Equity	252.4	405.3	694.0	5,922.0	5,466.0	5,640.0
Total Equity	252.377	405.344	694.043	5922	5466	5640
Total Liabilities And Equity	984.3	1,955.4	3,298.8	9,206.0	9,307.0	8,713.0

Notes

Key Points

- Revenue:
 - We have a projected growth of 24.6% for the next year decreasing TO 9.5% in FY33
 - We project a terminal growth rate of 3%
 - We expect total subscriptions to grow 16.0% in FY24 with growth tapering down over the projection period.
- Costs
 - Since OKTA is a capital intensive business focused on investing in core assets we expect net change in working capital to grow along with revenue
- Comps
 - OKTA appears significantly undervalued compared to competitors on a EV/Revenue basis largely due to market perception of the Autho acquisition and synergies.

Okta Inc - DCF Assumptions & Output:

Company Name:	Okta
Ticker:	OKTA
Current Share Price:	\$ 86.17
Diluted Shares Outstanding:	164.100
<small>(as of 09/29/23)</small>	
Effective Tax Rate:	26.0%
Discount Rate (WACC):	9.59%
Conversion Units:	1,000
Last Fiscal Year:	2022-12-31

Current Equity Value:	\$ 14,140.5
(-) Cash & Cash-Equivalents:	(2,106.0)
(-) Equity Investments:	(2,316.0)
(-) Other Non-Core Assets, Net:	(402.0)
(-) Net Operating Losses:	-
(+) Total Debt:	1,573.0
(+) Preferred Stock:	-
(+) Noncontrolling Interests:	-
(+) Unfunded Pension Obligations:	-
(+) Capital Leases:	-
(+) Restructuring & Other Liabilities:	-
Current Enterprise Value:	10,889.5

Terminal Value - Multiples Method:

Median EV / EBITDA of Comps:	19.2 x
Baseline Terminal EBITDA Multiple:	19.2 x
Baseline Terminal Value:	\$ 21,996.9
Implied Terminal FCF Growth Rate:	2.9%
(+) PV of Terminal Value:	8,803.4
(+) Sum of PV of Free Cash Flows:	6,378.6
Implied Enterprise Value:	\$ 15,182.1

% of Implied EV from Terminal Value: 58.0%

(+) Cash & Cash-Equivalents:	\$ 2,106.0
(+) Equity Investments:	2,316.0
(+) Other Non-Core Assets, Net:	402.0
(+) Net Operating Losses:	-
(-) Total Debt:	(1,573.0)
(-) Preferred Stock:	-
(-) Noncontrolling Interests:	-
(-) Unfunded Pension Obligations:	-
(-) Capital Leases:	-
(-) Restructuring & Other Liabilities:	-
Implied Equity Value:	18,433.1

Diluted Shares Outstanding: 164.100

Implied Share Price from DCF:	\$ 112.33
Premium / (Discount) to Current:	30.4%

Terminal Value - Perpetuity Growth Method:

Expected Long-Term GDP Growth:	3.0%
Baseline Terminal FCF Growth Rate:	4.0%
Baseline Terminal Value:	\$ 26,477.9
Implied Terminal EBITDA Multiple:	23.1 x
(+) PV of Terminal Value:	10,596.8
(+) Sum of PV of Free Cash Flows:	6,378.6
Implied Enterprise Value:	\$ 16,975.4

% of Implied EV from Terminal Value: 62.4%

(+) Cash & Cash-Equivalents:	\$ 2,106.0
(+) Equity Investments:	2,316.0
(+) Other Non-Core Assets, Net:	402.0
(+) Net Operating Losses:	-
(-) Total Debt:	(1,573.0)
(-) Preferred Stock:	-
(-) Noncontrolling Interests:	-
(-) Unfunded Pension Obligations:	-
(-) Capital Leases:	-
(-) Restructuring & Other Liabilities:	-
Implied Equity Value:	20,226.4

Diluted Shares Outstanding: 164.100

Implied Share Price from DCF:	\$ 123.26
Premium / (Discount) to Current:	43.0%

7. Valuation – Public Comparables

NYSE: OKTA

PCA Profile

- Included a mix of companies similar in operations and financial
- Similar operational companies (CyberArk, DataDog) delivered IAM and Cyber Security services
- Similar financial companies (VmWare) were situated in cloud support or cloud enabling industries
- Targeted companies with generally similar capital structure and more long term debt
- Companies with gross margins > 70%, revenue growth rates > 50% over 2019-2023

Company	Ticker	Primary Operation	Share Price (2)	Equity Market Value	Enterprise Value	Gross Margin (LTM)	EBITDA Margin (LTM)	EV/Revenue LTM	NTM TEV/Forward EBITDA
Zscaler Inc	ZS	Cloud Security	168.5	24,800.9	23,919.2	77.60%	-12.1%	14.8x	58.2x
CyberArk Software Ltd.	CYBR	IAM	162.4	6,664.3	6,014.4	78.5%	-20.9%	9.1x	100.6x
DataDog Inc.	DDOG	Cloud Security	88.1	28,619.5	27,319.2	79.3%	-4.7%	14.4x	57.9x
CrowdStrike Holdings Inc.	CRWD	Cloud-Delivered Protection	185.7	44,347.7	42,003.0	74.0%	-2.5%	15.9x	50.7x
Gen Digital Inc.	GEN	Cyber Safety	17.1	10,947.2	19,935.2	81.4%	48.3%	5.6x	9.3x
Vmware Inc.	VMW	Cloud Management	177.8	76,754.9	81,381.9	81.3%	20.5%	6.0x	15.2x
OKTA		IAM	83.1	13,629.4	13,096.4	72.5%	-25.70%	6.3x	46.2x

Implied Enterprise Value	EV/Revenue LTM	NTM TEV/Forward EBITDA
High	\$32,833.50	\$28,497.97
Low	\$11,564.00	\$2,643.00
Mean	\$22,646.17	\$13,779.68
Median	\$24,263.75	\$15,373.61

+ Total Cash & ST Investments	2,106.0	2,106.0
- Total Debt	1,573.0	1,573.0
- Total Pref. Equity	-	-
- Minority Interest	-	-

Mean Equity Value Across Multiples	Equity Value	Price Per Share
High	\$31,198.73	\$190.18
Low	\$7,636.50	\$46.55
Mean	\$18,745.93	\$114.27
Median	\$20,351.68	\$124.06

Implied Equity Value	EV/Revenue LTM	NTM TEV/Forward EBITDA
High	\$33,366.50	\$29,030.97
Low	\$12,097.00	\$3,176.00
Mean	\$23,179.17	\$14,312.68
Median	\$24,796.75	\$15,906.61
Outstanding Shares	164.05	164.05

Implied Share Price	EV/Revenue LTM	NTM TEV/Forward EBITDA
High	\$203.39	\$176.96
Low	\$73.74	\$19.36
Mean	\$141.29	\$87.25
Median	\$151.15	\$96.96

7. Valuation – DCF Analysis

NYSE: OKTA

Discounted Cash Flow Projections

	Units:	Historical			Projected									
		FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
Revenue:	\$ M	\$ 835.0	\$ 1,300.0	\$ 1,858.0	\$ 2,315.0	\$ 2,740.3	\$ 3,129.5	\$ 3,475.7	\$ 3,860.3	\$ 4,287.5	\$ 4,762.0	\$ 5,239.2	\$ 5,764.4	\$ 6,312.2
<i>Revenue Growth Rate:</i>	%	42.5%	55.7%	42.9%	24.6%	18.4%	14.2%	11.1%	11.1%	11.1%	11.1%	10.0%	10.0%	9.5%
Operating Income (EBIT)		-\$204.00	-\$712.00	-\$776.00	\$218.24	\$299.67	\$434.03	\$483.56	\$545.96	\$622.26	\$710.55	\$813.77	\$935.74	\$1,081.37
<i>Operating Margin:</i>		-24.43%	-54.77%	-41.77%	9.43%	10.94%	13.87%	13.91%	14.14%	14.51%	14.92%	15.53%	16.23%	17.13%
<i>Growth Rate:</i>			249.02%	8.99%	-128.12%	37.31%	44.84%	11.41%	12.91%	13.97%	14.19%	14.53%	14.99%	15.56%
(-) Taxes, Excluding Effect of Interest		\$0.00	-\$2.00	\$14.00	\$56.74	\$77.91	\$112.85	\$125.72	\$141.95	\$161.79	\$184.74	\$211.58	\$243.29	\$281.16
Net Operating Profit After Taxes (NOPAT)		(204.00)	(710.00)	(790.00)	161.50	221.76	321.18	357.83	404.01	460.47	525.81	602.19	692.45	800.21
(+) Depreciation & Amortization:		\$37.00	\$108.00	\$114.00	\$81.66	\$76.98	\$114.13	\$117.93	\$121.80	\$125.94	\$129.92	\$133.74	\$137.40	\$140.92
<i>% Revenue:</i>		4.43%	8.31%	6.14%	3.53%	2.81%	3.65%	3.39%	3.16%	2.94%	2.73%	2.55%	2.38%	2.23%
(-) Net Change in Working Capital:		-\$913.84	\$526.04	-\$129.00	-\$585.85	-\$646.89	-\$685.54	-\$702.26	-\$714.30	-\$720.43	-\$719.17	-\$702.13	-\$674.48	-\$631.22
<i>% Change in Revenue:</i>		-109.44%	40.46%	-6.94%	-25.31%	-23.61%	-21.91%	-20.20%	-18.50%	-16.80%	-15.10%	-13.40%	-11.70%	-10.00%
<i>% Revenue:</i>					3.50%	3.40%	3.30%	3.20%	3.00%	2.80%	2.80%	2.80%	2.80%	2.80%
(-) Capital Expenditures:		\$13.00	\$13.00	\$12.00	\$12.67	\$12.56	\$12.41	\$12.54	\$12.50	\$12.48	\$12.51	\$12.50	\$12.50	\$12.50
<i>% Revenue:</i>		1.56%	1.00%	0.65%	0.55%	0.46%	0.40%	0.36%	0.32%	0.29%	0.26%	0.24%	0.22%	0.20%
Unlevered Free Cash Flow:	\$ M	\$ 733.84	\$(1,141.04)	\$(559.00)	\$ 816.34	\$ 933.07	\$ 1,108.44	\$ 1,165.48	\$ 1,227.61	\$ 1,294.35	\$ 1,362.39	\$ 1,425.56	\$ 1,491.83	\$ 1,559.85
<i>Growth Rate:</i>	%		-255.49%	-51.01%	-246.04%	14.30%	18.79%	5.15%	5.33%	5.44%	5.26%	4.64%	4.65%	4.56%
Unlevered Free Cash Flow:	\$ M	\$ 733.8	\$(1,141.0)	\$(559.0)	\$ 816.3	\$ 933.1	\$ 1,108.4	\$ 1,165.5	\$ 1,227.6	\$ 1,294.4	\$ 1,362.4	\$ 1,425.6	\$ 1,491.8	\$ 1,559.8
<i>Growth Rate:</i>	%	N/A	(255.5%)	(51.0%)	(246.0%)	14.3%	18.8%	5.1%	5.3%	5.4%	5.3%	4.6%	4.6%	4.6%
Discount Period:	#				1	2	3	4	5	6	7	8	9	10
Discount Rate (WACC):	%				9.59%	9.59%	9.59%	9.59%	9.59%	9.59%	9.59%	9.59%	9.59%	9.59%
Cumulative Discount Factor:	#				0.912	0.833	0.760	0.693	0.633	0.577	0.527	0.481	0.439	0.400
PV of Unlevered FCF:	\$ M				\$ 744.9	\$ 776.9	\$ 842.2	\$ 808.0	\$ 776.6	\$ 747.2	\$ 717.6	\$ 685.2	\$ 654.3	\$ 624.3
EBITDA:	\$ M	\$ (167.0)	\$(604.0)	\$(662.0)	\$ 299.9	\$ 376.7	\$ 548.2	\$ 601.5	\$ 667.8	\$ 748.2	\$ 840.5	\$ 947.5	\$ 1,073.1	\$ 1,222.3
<i>Growth Rate:</i>	%	N/A	261.7%	9.6%	(145.3%)	25.6%	45.5%	9.7%	11.0%	12.0%	12.3%	12.7%	13.3%	13.9%

Data Breaches

- Okta has been associated with a multitude of security breaches in past years, most recently in October which correlated with an 18% decline in stock price
 - *Okta has demonstrated a strong commitment to strengthening their cybersecurity offerings while mitigating risks post-breach within hours. 31 of 35 surveyed Okta Customers in 2023 responded “No” when asked if recent breaches impacted decision making.*

Autho Integration:

- Over 2 years into the acquisition, Okta has continued to experience difficulty integrating Autho, leading to increased attrition
 - *Reducing attrition in the GTM team has become a top priority for executives, who have decided to increase sales training and compensation*

Macro Headwinds

- Macro Headwinds are generally causing tightening IT budgets and lengthening sales cycles relative to previous quarters. In the event of more economic downturn, IT spending could further tighten and impact Okta’s profitability
 - *Strong secular growth is supported FYE24 and onwards due to Zero Trust mandates and Executive Order requiring plans for compliance this coming year. Evidence points to more federal government security deals in the pipeline.*

Appendix

Okta Inc - Revenue and Expenses:	Units:	Historical			Projected									
		FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
Net Sales by Segment:														
Subscriptions	\$ 000	\$ 797.0	\$ 1,249.0	\$ 1,794.0	\$ 2,243.6	\$ 2,660.8	\$ 3,040.7	\$ 3,376.6	\$ 3,749.6	\$ 4,163.8	\$ 4,623.7	\$ 5,084.6	\$ 5,591.5	\$ 6,118.7
Professional Services and Other	\$ 000	38.0	51.0	64.0	71.4	79.6	88.8	99.1	110.7	123.7	138.2	154.5	172.9	193.5
Total Consolidated Sales:	\$ 000	\$ 835.0	\$ 1,300.0	\$ 1,858.0	\$ 2,315.0	\$ 2,740.3	\$ 3,129.5	\$ 3,475.7	\$ 3,860.3	\$ 4,287.5	\$ 4,762.0	\$ 5,239.2	\$ 5,764.4	\$ 6,312.2
Annual Growth Rate:	%	42.5%	55.7%	42.9%	24.6%	18.4%	14.2%	11.1%	11.1%	11.1%	11.1%	10.0%	10.0%	9.5%
Customers Per Segment														
Subscriptions	# Customers	10,000.0	15,000.0	17,600.0	20,416.0	22,457.6	23,805.1	24,519.2	25,254.8	26,012.4	26,792.8	27,328.7	27,875.2	28,293.4
Total Customers:		10,000.0	15,000.0	17,600.0	20,416.0	22,457.6	23,805.1	24,519.2	25,254.8	26,012.4	26,792.8	27,328.7	27,875.2	28,293.4
Annual Growth Rate:	%				10.0%									
Customer Growth:														
Subscriptions	%		50.0%	17.3%	16.0%	10.0%	6.0%	3.0%	3.0%	3.0%	3.0%	2.0%	2.0%	1.5%
Geographical Region Growth:														
United States	MM Revenue	702.0	1,036.0	1,456.0	1,606.0	1,771.4	1,953.8	2,155.1	2,377.1	2,621.9	2,891.9	3,189.8	3,518.4	3,880.8
International		133.0	264.0	402.0	464.7	537.2	621.0	717.9	829.9	959.3	1,109.0	1,282.0	1,482.0	1,713.2
United States IAM Growth Rate	%		47.6%	40.5%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%
International IAM Growth Rate	%		98.5%	52.3%	15.6%	15.6%	15.6%	15.6%	15.6%	15.6%	15.6%	15.6%	15.6%	15.6%
Weighted Average CAGR					11.5%	11.5%	11.6%	11.6%	11.7%	11.7%	11.8%	11.8%	11.9%	11.9%
Average Billings Per Unit:														
Billings Total	\$703.56	\$976.00	\$1,718.00	\$2,123.00	\$ 2,360.01	\$ 2,623.47	\$ 2,916.35	\$ 3,241.93	\$ 3,603.85	\$ 4,006.18	\$ 4,453.42	\$ 4,950.59	\$ 5,503.27	\$ 6,117.64
Subscriptions	\$ / Customer	\$0.10	\$0.11	\$0.12	\$0.130	\$0.140	\$0.151	\$0.163	\$0.176	\$0.189	\$0.204	\$0.220	\$0.237	\$0.256
Subscriptions/Total Billings		81.66%	72.70%	84.50%	84.50%	84.50%	84.50%	84.50%	84.50%	84.50%	84.50%	84.50%	84.50%	84.50%

B. Discounted Cash Flow

NYSE: OKTA

Net Sales by Segment:																											
Subscriptions	\$ 000	\$	797.0	\$	1,249.0	\$	1,794.0	\$	2,243.6	\$	2,660.8	\$	3,040.7	\$	3,376.6	\$	3,749.6	\$	4,163.8	\$	4,623.7	\$	5,084.6	\$	5,591.5	\$	6,118.7
Professional Services and Other	\$ 000		38.0		51.0		64.0		71.4		79.6		88.8		99.1		110.7		123.7		138.2		154.5		172.9		193.5
Total Consolidated Sales:	\$ 000	\$	835.0	\$	1,300.0	\$	1,858.0	\$	2,315.0	\$	2,740.3	\$	3,129.5	\$	3,475.7	\$	3,860.3	\$	4,287.5	\$	4,762.0	\$	5,239.2	\$	5,764.4	\$	6,312.2
Annual Growth Rate:	%		42.5%		55.7%		42.9%		24.6%		18.4%		14.2%		11.1%		11.1%		11.1%		11.1%		10.0%		10.0%		9.5%
Customers Per Segment																											
Subscriptions	# Customers		10,000.0		15,000.0		17,600.0		20,416.0		22,457.6		23,805.1		24,519.2		25,254.8		26,012.4		26,792.8		27,328.7		27,875.2		28,293.4
Total Customers:			10,000.0		15,000.0		17,600.0		20,416.0		22,457.6		23,805.1		24,519.2		25,254.8		26,012.4		26,792.8		27,328.7		27,875.2		28,293.4
Annual Growth Rate:	%								10.0%																		
Customer Growth:																											
Subscriptions	%				50.0%		17.3%		16.0%		10.0%		6.0%		3.0%		3.0%		3.0%		3.0%		2.0%		2.0%		1.5%
Geographical Region Growth:																											
United States	#M Revenue		702.0		1,036.0		1,456.0		1,606.0		1,771.4		1,953.8		2,155.1		2,377.1		2,621.9		2,891.9		3,189.8		3,518.4		3,880.8
International			133.0		264.0		402.0		464.7		537.2		621.0		717.9		829.9		959.3		1,109.0		1,282.0		1,482.0		1,713.2
United States IAM Growth Rate	%				47.6%		40.5%		10.3%		10.3%		10.3%		10.3%		10.3%		10.3%		10.3%		10.3%		10.3%		10.3%
International IAM Growth Rate	%				98.5%		52.3%		15.6%		15.6%		15.6%		15.6%		15.6%		15.6%		15.6%		15.6%		15.6%		15.6%
Weighted Average CAGR									11.5%		11.5%		11.6%		11.6%		11.7%		11.7%		11.8%		11.8%		11.9%		11.9%
Average Billings Per Unit:																											
Billings Total	\$703.56		\$976.00		\$1,718.00		\$2,123.00		\$2,360.01		\$2,623.47		\$2,916.35		\$3,241.93		\$3,603.85		\$4,006.18		\$4,453.42		\$4,950.59		\$5,503.27		\$6,117.64
Subscriptions	\$ / Customer		\$0.10		\$0.11		\$0.12		\$0.130		\$0.140		\$0.151		\$0.163		\$0.176		\$0.189		\$0.204		\$0.220		\$0.237		\$0.256
Subscriptions/Total Billings			81.66%		72.70%		84.50%		84.50%		84.50%		84.50%		84.50%		84.50%		84.50%		84.50%		84.50%		84.50%		84.50%

	Units:	Historical			Projected									
		FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
Revenue:	\$ M	\$ 835.0	\$ 1,300.0	\$ 1,858.0	\$ 2,315.0	\$ 2,740.3	\$ 3,129.5	\$ 3,475.7	\$ 3,860.3	\$ 4,287.5	\$ 4,762.0	\$ 5,239.2	\$ 5,764.4	\$ 6,312.2
Revenue Growth Rate:	%	42.5%	55.7%	42.9%	24.6%	18.4%	14.2%	11.1%	11.1%	11.1%	11.1%	10.0%	10.0%	9.5%
Operating Income (EBIT)		-\$204.00	-\$712.00	-\$776.00	\$218.24	\$299.67	\$434.03	\$483.56	\$545.96	\$622.26	\$710.55	\$813.77	\$935.74	\$1,081.37
Operating Margin:		-24.43%	-54.77%	-41.77%	9.43%	10.94%	13.87%	13.91%	14.14%	14.51%	14.92%	15.53%	16.23%	17.13%
Growth Rate:			249.02%	8.99%	-128.12%	37.31%	44.84%	11.41%	12.91%	13.97%	14.19%	14.53%	14.99%	15.56%
(-) Taxes, Excluding Effect of Interest		\$0.00	-\$2.00	\$14.00	\$56.74	\$77.91	\$112.85	\$125.72	\$141.95	\$161.79	\$184.74	\$211.58	\$243.29	\$281.16
Net Operating Profit After Taxes (NOPAT)		(204.00)	(710.00)	(790.00)	161.50	221.76	321.18	357.83	404.01	460.47	525.81	602.19	692.45	800.21
(+) Depreciation & Amortization:		\$37.00	\$108.00	\$114.00	\$81.66	\$76.98	\$114.13	\$117.93	\$121.80	\$125.94	\$129.92	\$133.74	\$137.40	\$140.92
% Revenue:		4.43%	8.31%	6.14%	3.53%	2.81%	3.65%	3.39%	3.16%	2.94%	2.73%	2.55%	2.38%	2.23%
(-) Net Change in Working Capital:		-\$913.84	\$526.04	-\$129.00	-\$585.85	-\$646.89	-\$685.54	-\$702.26	-\$714.30	-\$720.43	-\$719.17	-\$702.13	-\$674.48	-\$631.22
% Change in Revenue:		-109.44%	40.46%	-6.94%	-25.31%	-23.61%	-21.91%	-20.20%	-18.50%	-16.80%	-15.10%	-13.40%	-11.70%	-10.00%
% Revenue:					3.50%	3.40%	3.30%	3.20%	3.00%	2.80%	2.80%	2.80%	2.80%	2.80%
(-) Capital Expenditures:		\$13.00	\$13.00	\$12.00	\$12.67	\$12.56	\$12.41	\$12.54	\$12.50	\$12.48	\$12.51	\$12.50	\$12.50	\$12.50
% Revenue:		1.56%	1.00%	0.65%	0.55%	0.46%	0.40%	0.36%	0.32%	0.29%	0.26%	0.24%	0.22%	0.20%
Unlevered Free Cash Flow:	\$ M	733.84	(1141.04)	(559.00)	816.34	933.07	1108.44	1165.48	1227.61	1294.35	1362.39	1425.56	1491.83	1559.85
Growth Rate:	%		-255.49%	-51.01%	-246.04%	14.30%	18.79%	5.15%	5.33%	5.44%	5.26%	4.64%	4.65%	4.56%

Unlevered Free Cash Flow:	\$ M	\$ 733.8	\$ (1,141.0)	\$ (559.0)	\$ 816.3	\$ 933.1	\$ 1,108.4	\$ 1,165.5	\$ 1,227.6	\$ 1,294.4	\$ 1,362.4	\$ 1,425.6	\$ 1,491.8	\$ 1,559.8
Growth Rate:	%	N/A	(255.5%)	(51.0%)	(246.0%)	14.3%	18.8%	5.1%	5.3%	5.4%	5.3%	4.6%	4.6%	4.6%
Discount Period:	#				1	2	3	4	5	6	7	8	9	10
Discount Rate (WACC):	%				9.59%	9.59%	9.59%	9.59%	9.59%	9.59%	9.59%	9.59%	9.59%	9.59%
Cumulative Discount Factor:	#				0.912	0.833	0.760	0.693	0.633	0.577	0.527	0.481	0.439	0.400
PV of Unlevered FCF:	\$ M				\$ 744.9	\$ 776.9	\$ 842.2	\$ 808.0	\$ 776.6	\$ 747.2	\$ 717.6	\$ 685.2	\$ 654.3	\$ 624.3