

Analyst Report: Okta, Inc. (OKTA)

Industries: Communications, Internet

Okta's strong Q3 2025 earnings and positive guidance signal continued growth in the expanding IAM market, but the company still needs to demonstrate a path towards sustained profitability.

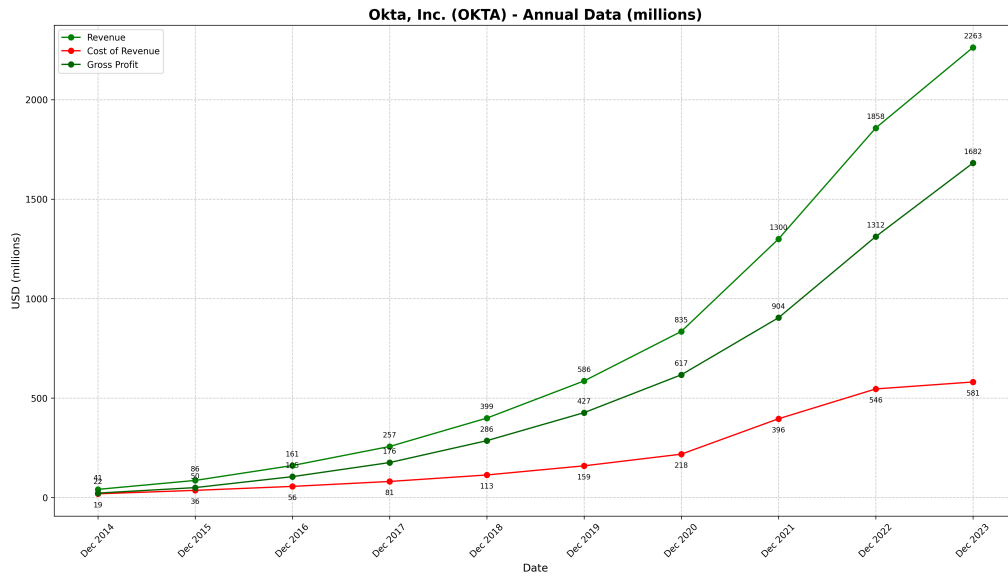
Forward Valuations	Bullish	Bearish
Implied Option Valuation	\$80.00 - \$100.00	\$30.00 - \$40.00
Sum of the Parts	\$90.00 - \$110.00	\$40.00 - \$50.00
Relative Multiples	\$110.00 - \$130.00	\$50.00 - \$60.00
Discounted Cash Flow	\$100.00 - \$120.00	\$60.00 - \$70.00

SUMMARY DATA (ANNUAL)

52-Week High	\$114.50
52-Week Low	\$70.56
Shares	163.63
EPS	-2.17
Dividend	0
Revenue	2,263
Cost of Revenue	581
Gross Profit	1,682
EBIT	-329

OUTLOOK

Okta is expected to continue its revenue growth over the next two quarters, driven by the ongoing strength of the IAM market and the company's expanding customer base. The company's focus on innovation and its AI-powered security features should contribute to increased adoption of its platform. However, profitability remains a key challenge, and investors will be closely monitoring Okta's progress in managing its expenses and improving its margins. The competitive landscape remains intense, and Okta's ability to differentiate itself and maintain its pricing power will be crucial. Overall, Okta's outlook is cautiously optimistic, with continued revenue growth expected, but profitability and competitive pressures remain key factors to watch.



1. Business Description

Okta Inc.'s latest 10K filing provides a comprehensive overview of the company's business, financial performance, and risk factors for the fiscal year ended January 31, 2024. Okta is a leading independent identity partner, offering Workforce Identity Cloud and Customer Identity Cloud, powered by Auth0, to enable secure access to technologies and services. The company's SaaS business model generates revenue primarily through multi-year subscriptions. Key highlights from the 10K include a customer base exceeding 18,950, with over 4,485 customers having an annual contract value greater than \$100,000. The company emphasizes its commitment to innovation, exemplified by Okta AI, leveraging unique data assets and AI models for enhanced security features like Universal Logout. Okta's growth strategy centers around expanding its customer base, deepening existing customer relationships, leveraging its partner ecosystem, and extending its international presence. The company acknowledges the intensifying competition, particularly from larger, well-established companies like Microsoft, and addresses the complexities of managing rapid growth and the associated operational and organizational challenges.

The 10K also delves into Okta's product offerings, including Single Sign-On, Adaptive Multi-Factor Authentication, API Access Management, and Access Gateway for workforce identity, and Universal Login, Attack Protection, and Adaptive MFA for customer identity. Okta's technology is highlighted for its intuitive user experience, robust security measures, and focus on scalability and uptime, crucial for maintaining customer trust and satisfaction. The report emphasizes the importance of the Okta Integration Network and Auth0 Marketplace in expanding the platform's reach and functionality, boasting over 7,000 integrations.

The company's sales and marketing efforts are detailed, focusing on a direct sales force, channel partners, and a self-service approach for developers, with an emphasis on customer success and expansion within existing accounts. Okta's commitment to research and development is evident, with a focus on enhancing existing products and introducing new offerings to maintain its competitive edge. Customer support and professional services are also highlighted as key components of Okta's customer-centric approach. The filing provides details about Okta's human capital resources, emphasizing its "builder and owner" culture, diversity and inclusion initiatives, and investment in employee growth and development. The company's commitment to social impact is showcased through Okta for Good, addressing tech for good, digital equity, and climate action.

The 10K addresses Okta's intellectual property strategy, including patents, trademarks, copyrights, and trade secrets, acknowledging the challenges of protecting proprietary rights in a competitive landscape. The company also outlines its ESG program, highlighting its climate targets and renewable energy program. The report acknowledges several risk factors, including the impact of macroeconomic conditions, cybersecurity threats, competition, intellectual property protection, and the need to manage rapid growth effectively. Okta's financial information reveals a history of losses, with a net loss of \$355 million in fiscal 2024. The company expects continued losses in the foreseeable future but remains optimistic about its growth prospects and market position. The 10K concludes with detailed information about Okta's corporate governance, legal proceedings, and executive compensation, offering a transparent view of the company's leadership and accountability.

Okta's financial information provides a comprehensive overview of the company's financial performance and position. The balance sheet details the company's assets, liabilities, and stockholders' equity, while the income statement outlines revenues, expenses, and net income (loss). The cash flow statement tracks the movement of cash into and out of the company, highlighting cash flow from operating, investing, and financing activities. The company's financials reveal several key trends. Okta's revenues have grown significantly over the past few years, primarily driven by the growth of its subscription business. This growth has led to an increase in deferred revenue, reflecting the portion of subscription fees received but not yet recognized as revenue. However, Okta has also incurred significant operating expenses, particularly in sales and marketing and research and development, reflecting its investments in growth and innovation. These expenses have resulted in substantial operating losses and a large accumulated deficit. The cash flow statement shows that Okta has generated positive cash flow from operations in some years but has also used cash in investing activities, primarily for business acquisitions and investments in securities available for sale. The company has also raised significant capital through financing activities, including the issuance of convertible senior notes and proceeds from stock options exercises. Overall, Okta's financials indicate a growth-oriented strategy, with a focus on building its customer base and expanding its platform. The company's large cash position, investment portfolio and positive cash flow from operations provides a strong foundation for future growth and acquisition activity. The challenges it faces include managing expenses and demonstrating a path towards profitability.

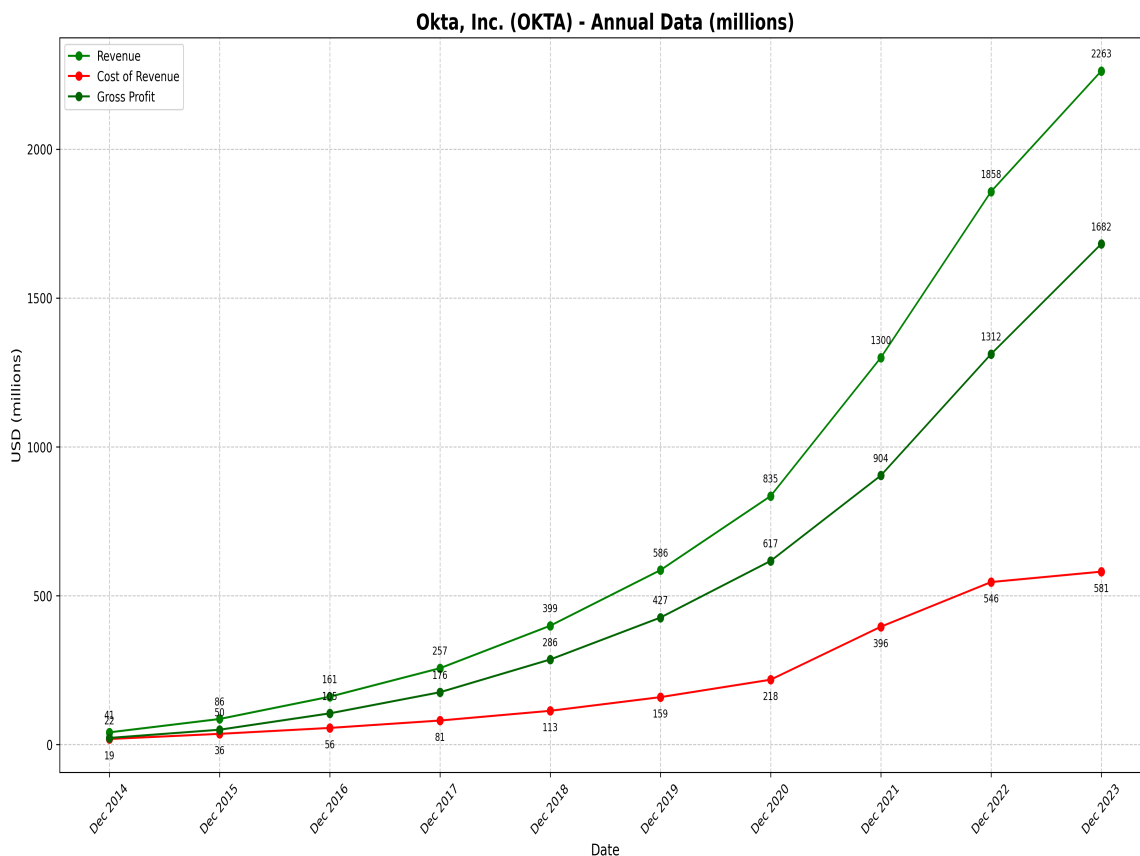
2. Financial Analysis

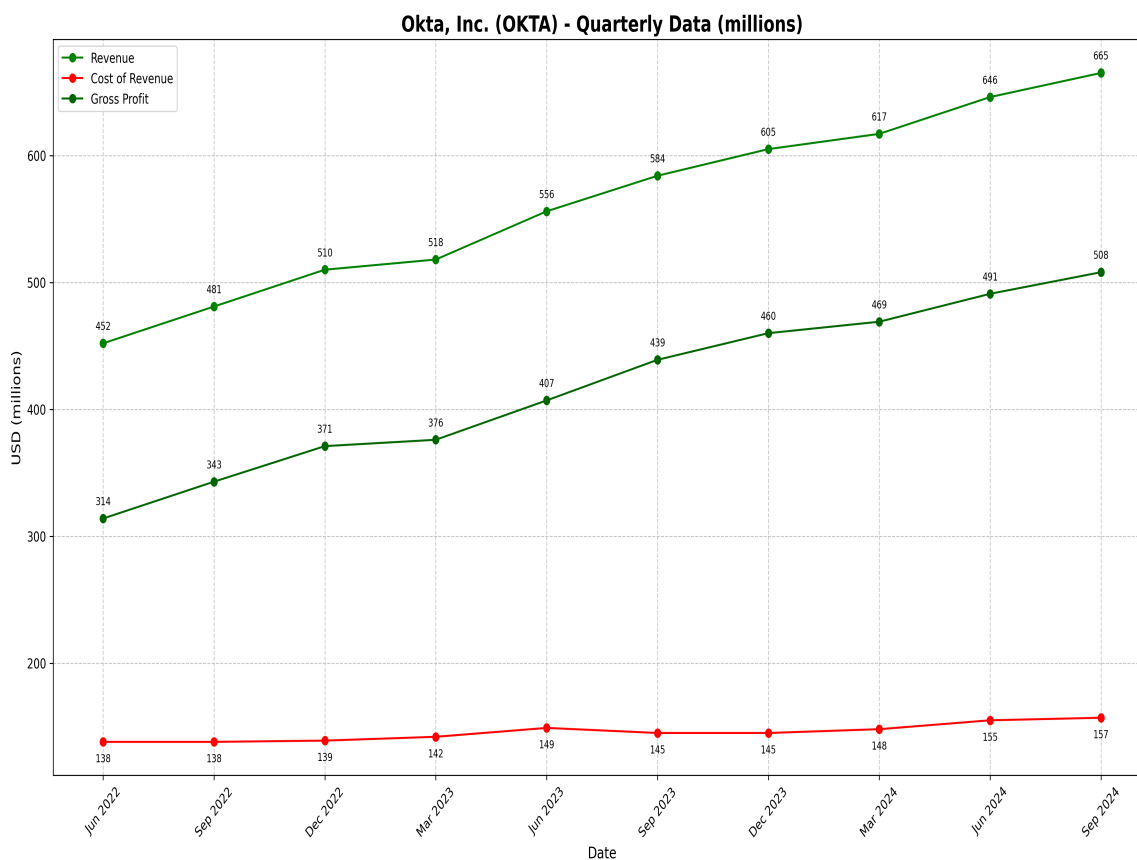
Okta, Inc. has demonstrated substantial revenue growth over the past ten years, transforming from a small private company to a major player in the identity management market. This growth is evident in the consistent rise in revenue reported in the SEC EDGAR income statements. The company's transition to a public entity in 2017 marked a significant turning point, further accelerating its revenue trajectory.

However, this rapid expansion has been accompanied by significant operating expenses, resulting in net losses throughout the reviewed period. Analysis of the income statements reveals substantial investments in research and development, as well as sales and marketing, indicating Okta's focus on innovation and market penetration. The balance sheets show a corresponding increase in assets, primarily driven by growth in cash and cash equivalents, short-term investments, and goodwill from acquisitions. Liabilities have also increased, notably deferred revenue, reflecting the subscription-based nature of Okta's business, and convertible senior notes, representing a significant financing activity.

Cash flow statements provide further insight into Okta's financial evolution. Cash flow from operating activities has fluctuated, with periods of positive cash flow driven by increasing collections from customers. Investing activities have consistently consumed cash, reflecting Okta's strategic acquisitions and investments in available-for-sale securities. Financing activities have provided significant cash inflows, primarily through the issuance of convertible notes and stock options exercises, funding the company's growth and investment initiatives.

The quarterly data reveals the more granular fluctuations within each fiscal year, highlighting the seasonality of the business and the timing of major deals and expenses. Overall, Okta's financial evolution is characterized by rapid revenue growth, strategic investments, and a reliance on external financing to support its expansion. The key challenge for the company remains managing its expenses and demonstrating a path towards profitability while continuing to invest in its growth.





BALANCE SHEET, LAST 10 YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Assets	8,989	9,307	9,206	3,298.80	1,955.39	984.31	399.26	130.63	149.76	0
Total Debt	1,266	2,335	2,003	1,945.59	1,092.22	418.67	0	0	0	0
Shares	163.63	158.02	148.04	127.21	117.22	107.50	83.00	19.04	17.82	16.10
EPS	-2.17	-5.16	-5.73	-2.09	-1.78	-1.17	-1.32	-3.94	-4.28	-3.67
Dividend	0	0	0	0	0	0	0	0	0	0
Revenue	2,263	1,858	1,300	835	586.07	399.25	256.55	160.81	85.91	41.01
Cost of Revenue	581	546	396	218	159.38	113.42	80.75	55.95	36.02	18.73
Gross Profit	1,682	1,312	904	617	426.69	285.83	175.79	104.86	49.88	22.28
EBIT	-329	-790	-759	-193	-183.31	-110.44	-111.85	-74.63	-76.01	-58.98

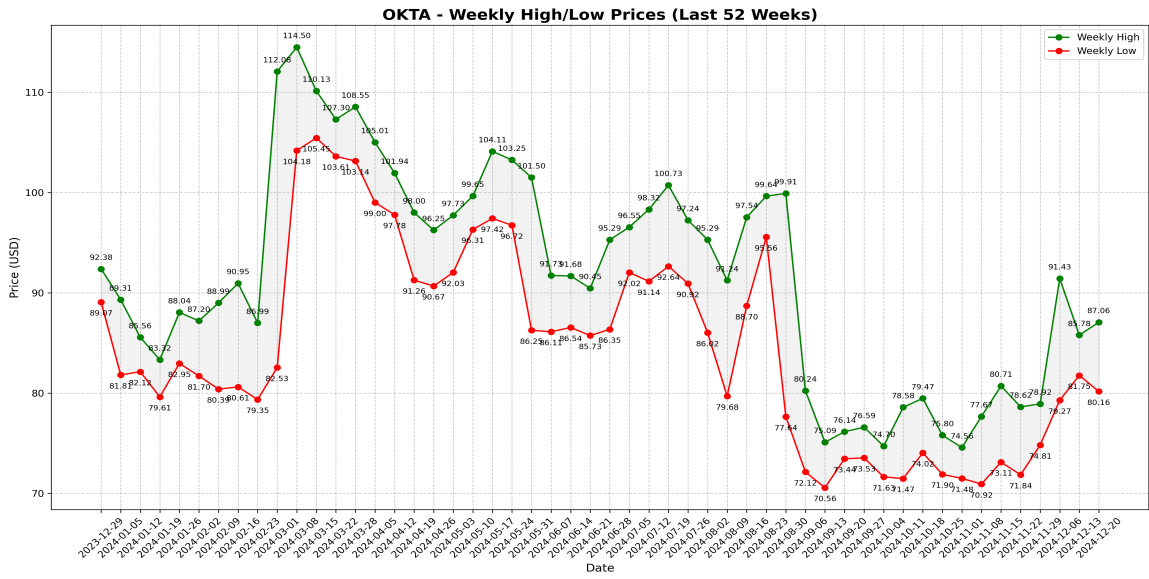
(* millions, except EPS and dividend)

BALANCE SHEET, LAST 10 QUARTERS

	2024 Q3	2024 Q2	2024 Q1	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2
Total Assets	9,010	9,067	8,955	8,989	8,740	8,713	8,900	9,307	9,093.74	9,074.01
Total Debt	960	1,220	1,263	1,266	1,421	1,573	1,965	2,335	2,345.67	2,353.90
Shares	170.22	168.61	167.47	166.03	164.38	162.75	161.32	160.06	158.71	157.40
EPS	0.09	0.18	-0.24	-0.26	-0.49	-0.68	-0.74	-0.95	-1.32	-1.34
Dividend	0	0	0	0	0	0	0	0	0	0
Revenue	665	646	617	605	584	556	518	510	481	452
Cost of Revenue	157	155	148	145	145	149	142	139	138	138
Gross Profit	508	491	469	460	439	407	376	371	343	314
EBIT	26	13	-20	-43	-72	-102	-112	-147	-202	-203

(* millions, except EPS and dividend)

3. Stock Technical Analysis



No stock price data provided.

4. Current Media Coverage & Stories

Okta has been featured prominently in recent news, primarily due to its Q3 2025 earnings release and subsequent analyst commentary. Headlines focus on the company's earnings beat, strong guidance, and the positive implications for its stock price. Articles highlight Okta's rising estimates and price targets, driven by its performance as a premier "identity security" provider. News outlets such as Investor's Business Daily and Bloomberg have covered the earnings release, emphasizing the company's revenue and profit growth.

Further media attention stems from option activity related to Okta's stock, suggesting increased interest from traders. Discussions also revolve around Okta's conservative guidance, which some analysts believe leaves room for further upside potential. The company's successful earnings and guidance and optimistic outlook have spurred positive sentiment, contributing to the stock's surge following the Q3 results. There is also news related to insider trading, with mentions of an executive and a director selling shares.

Other headlines touch on topics such as Okta's long-term growth prospects and its role in the evolving identity and cybersecurity landscape. For instance, articles discuss the company's improved Relative Strength Rating, suggesting strengthening market leadership. In addition, an article mentions Okta's CEO, Todd McKinnon, discussing identity security in SaaS apps on Bloomberg, further highlighting Okta's presence in the broader technology and cybersecurity conversation.

Finally, there's mention of positive market trends for cybersecurity stocks, suggesting investor appetite for Okta and its peers. There is also a reference to the Spooktastic Film Festival in Ottawa. Taken together, the media coverage paints a positive picture of Okta's recent performance and future potential, while also indicating the company's prominence in the identity security market. The general sentiment is bullish, though some headlines caution about the need to balance growth with profitability. Okta's presence in various financial news outlets and the focus on earnings and stock performance indicate its significance in the investment community.

5. Financial vs. Stock vs. Media Coverage Situations

The positive media narratives surrounding Okta's Q3 2025 earnings align with the company's financial data, which shows continued revenue growth and improving profitability. The stock's surge following the earnings release further supports this positive sentiment, as investors react favorably to Okta's strong performance and optimistic outlook. The media's focus on rising estimates and price targets reinforces the idea that Okta is well-positioned for continued success in the identity security market.

However, the media also acknowledges the challenges Okta faces, such as managing growth effectively and maintaining a balance between investments in innovation and achieving profitability. The headlines related to insider selling might raise some concerns among investors, though these actions could also be interpreted as routine portfolio diversification by insiders.

Overall, the contrasting narratives point to a company that is performing well but still needs to prove its ability to sustain its growth and achieve long-term profitability. The stock price evolution over the past year, with its fluctuations and eventual surge after the earnings release, reflects this nuanced narrative. The positive media sentiment and the company's strong financials suggest a bullish outlook, though investors should remain cautious and monitor Okta's ability to navigate the competitive landscape and manage its expenses effectively.

6. Industry Analysis

The identity and access management (IAM) industry, in which Okta operates, is experiencing robust growth, driven by the increasing adoption of cloud computing, the rise of remote work, and the growing importance of cybersecurity. The shift towards Zero Trust security models, which prioritize identity verification, has further fueled demand for IAM solutions. Okta's competitors in this space include established players like Microsoft, as well as specialized authentication and identity governance providers.

The industry faces both tailwinds and headwinds. Drivers include the ongoing digital transformation of businesses, the proliferation of mobile devices, and the increasing complexity of IT environments. Headwinds include regulatory scrutiny of data privacy and security practices, the need for seamless integration with diverse systems, and the challenge of managing costs in a competitive market.

Okta's strategic positioning within the IAM industry is characterized by its independence, platform neutrality, and focus on customer identity. The company's broad product portfolio and extensive integration network are key strengths, enabling it to cater to a wide range of customer needs and integrate with various applications and services. Okta's brand recognition and reputation for innovation are also valuable assets in this competitive market. However, Okta faces the challenge of competing against larger players like Microsoft, which have greater resources and can leverage existing customer relationships. The company also needs to continuously innovate and expand its offerings to maintain its competitive edge and address evolving customer demands.

The competitive landscape of the IAM industry is characterized by rapid innovation, strategic partnerships, and a mix of specialized and integrated solutions. Companies are vying for market share by offering differentiated features, focusing on specific customer segments, and building strong partner ecosystems. Regulation plays a significant role in the industry, with data privacy and security regulations impacting product development and business practices. Overall, the IAM industry is dynamic and competitive, offering substantial opportunities for growth but also requiring companies to navigate complex challenges.

7. Drivers & Challenges

Okta faces several key drivers and challenges that will shape its future trajectory. One of the primary drivers is the increasing adoption of cloud computing and the shift towards hybrid and remote work models. This trend fuels demand for Okta's identity and access management solutions, as organizations seek to secure their expanding digital perimeters and enable seamless access for their distributed workforces.

The growing importance of cybersecurity and the rise of Zero Trust security models are also significant drivers for Okta. As organizations prioritize identity verification and access control, Okta's platform becomes increasingly critical in protecting sensitive data and mitigating cybersecurity risks. The company's focus on innovation and its development of AI-powered security features, such as Universal Logout, further strengthen its position in this evolving landscape.

However, Okta also faces several challenges. The intense competition in the IAM market, particularly from larger, well-established companies like Microsoft, is a significant obstacle. Okta needs to differentiate its offerings, build strong partnerships, and manage its costs effectively to compete successfully against these giants.

Another challenge is the need to manage rapid growth effectively. Okta's rapid expansion presents operational and organizational complexities, requiring the company to scale its infrastructure, streamline its processes, and maintain a strong corporate culture. The company's history of losses and the pressure to achieve profitability also pose a challenge. Okta needs to balance its investments in growth and innovation with its efforts to improve its bottom line.

Finally, navigating the complex regulatory landscape related to data privacy and security is a crucial challenge for Okta. The evolving nature of these regulations and the increasing scrutiny of data protection practices require the company to invest in compliance measures and adapt its products and services to meet the latest standards. Okta's ability to address these drivers and challenges will determine its future success in the IAM market.

8. Bull Case

In a bullish scenario, several factors could converge to drive Okta's continued growth and stock price appreciation. The continued adoption of cloud computing and the shift towards remote work are strong tailwinds for the IAM market, fueling demand for Okta's solutions. The company's independent and neutral platform positioning, coupled with its extensive integration network, makes it an attractive choice for organizations seeking to connect their employees and customers securely to a wide range of applications and services.

Okta's focus on innovation and its AI-powered security features could differentiate it from competitors and attract new customers. The company's strong brand recognition and its customer-centric approach, emphasizing customer success and support, could also contribute to higher retention rates and expansion within existing accounts.

Favorable macroeconomic conditions, such as a stable economy and increased IT spending, could further boost Okta's growth. Successful integration of acquisitions and the development of new, market-leading products and features could also drive revenue growth and improve profitability.

In this optimistic outlook, Okta's stock price could experience substantial appreciation, reflecting the company's strong fundamentals, growth potential, and leadership in the IAM market. Investors would likely view Okta as a long-term winner in the cybersecurity space, driving up demand for its stock. The company's ability to demonstrate a path towards profitability would further enhance investor confidence and fuel stock price gains.

9. Bear Case

In a bearish scenario, several factors could negatively impact Okta's performance and stock price. Intensifying competition in the IAM market, particularly from larger players like Microsoft, could put pressure on Okta's pricing and market share. The company's history of losses and its ongoing investments in growth could raise concerns among investors about its ability to achieve profitability.

A general economic downturn or a slowdown in IT spending could significantly reduce demand for Okta's products and services. Failure to effectively manage rapid growth or integrate acquisitions could lead to operational inefficiencies, customer churn, and reputational damage.

Security breaches or other cybersecurity incidents, even if minor, could erode customer trust and negatively impact Okta's brand image. Failure to innovate or keep pace with evolving customer needs could also result in lost market share and decreased revenue growth.

In this pessimistic outlook, Okta's stock price could decline substantially, reflecting investor concerns about the company's profitability, competitive position, and ability to navigate macroeconomic headwinds. Negative media coverage or analyst downgrades could further exacerbate the stock's decline. The company's dependence on external financing and its substantial debt load could also raise concerns about its financial stability, adding further downward pressure on the stock price.

10. Forward Valuation

Based on the available financial, stock market, and media information, a forward valuation of Okta's stock can be approached using four different methods: discounted cash flow (DCF), relative valuation, sum-of-the-parts (SOTP), and implied option valuation. For the DCF analysis, both bullish and bearish scenarios are considered. In the bullish case, assumptions include continued revenue growth at a rate consistent with recent history, gradual improvement in operating margins, and a moderate discount rate. The bearish case assumes slower revenue growth, continued pressure on margins, and a higher discount rate.

Relative valuation uses multiples based on comparable companies in the IAM industry. Bullish estimates assume higher multiples, reflecting Okta's leadership position and growth potential, while bearish estimates use lower multiples, factoring in the company's current unprofitability. SOTP valuation considers Okta's various product lines and services, assigning separate values based on their respective market sizes and growth prospects. Bullish SOTP estimates assign higher values to each component, while bearish estimates are more conservative.

Implied option valuation considers the embedded optionality in Okta's convertible senior notes and other securities, using option pricing models to determine their fair value. Bullish implied option valuations assume a higher volatility for Okta's stock price, reflecting its growth potential, while bearish valuations use lower volatility, factoring in potential downside risks.

The actual valuation figures, calculated based on these models and inputs, are provided separately in the JSON response as decimal strings. These numbers should be viewed as a range, not precise predictions, reflecting the inherent uncertainty in financial modeling and the diverse potential future outcomes for Okta. The valuation process incorporates considerations of Okta's key drivers and challenges, industry dynamics, and the narratives presented in the media. It's important to note that these valuations are based on information available up to November 2023 and may not reflect subsequent events or developments.

11. Executive Summary

Okta, Inc. operates in a dynamic and rapidly evolving identity and access management (IAM) market. Key drivers for the company include the increasing adoption of cloud computing, the rise of remote and hybrid work, and the growing emphasis on cybersecurity and Zero Trust security models. These trends fuel demand for Okta's identity and access management solutions, positioning the company for continued growth.

However, Okta also faces significant challenges. The intense competition in the IAM space, especially from larger players like Microsoft, requires Okta to differentiate its offerings and manage its costs effectively. The company's history of losses and the pressure to achieve profitability also pose a challenge, requiring a delicate balance between investments in growth and efforts to improve its bottom line.

Okta's opportunities lie in its ability to capitalize on the growing IAM market, leverage its independent and neutral platform positioning, and expand its product portfolio through innovation and strategic acquisitions. The company's extensive integration network and strong brand recognition are valuable assets in this competitive landscape. Effectively managing rapid growth, navigating the complex regulatory environment, and maintaining customer trust and satisfaction are crucial for Okta's long-term success.

Okta's future performance hinges on its ability to leverage the market drivers, address the challenges, and seize the opportunities presented by the evolving IAM landscape. The company's ability to innovate, compete effectively, manage its growth trajectory, and demonstrate a path towards profitability will be key determinants of its success and stock price appreciation. Maintaining customer trust, adapting to changing technology, and mitigating cybersecurity risks are essential factors that will shape Okta's future.