

Okta Inc

FY25 likely to be a year of “beat & raise”,
upgrade to Buy

Rating Change: BUY | PO: 135.00 USD | Price: 87.30 USD

Upgrading to Buy on strong results; rerating likely

We are upgrading Okta to a Buy from Underperform with a PO of \$135 based on 9x CY26E EV/Sales (versus 5x prior) on strong 4Q24 results and the potential for outperformance throughout FY25. While prior concerns around new customer growth, saturation among the existing customer base, and ongoing execution issues kept us at Underperform, we believe these headwinds have lessened and view FY25 guidance as overly conservative, which could drive upwards estimate revisions throughout the year and warrant positive rerating of the stock, prompting our upgrade.

Positive new customer contribution alleviates concerns

Heading into the quarter, we flagged that the company would need to rely on new customers to support growth, and voiced concerns that the recent breach could present a material headwind to signing new deals. 4Q results alleviated our concerns as cRPO growth of +16% YoY outperformed guidance by +400bps. Importantly, outperformance was driven by improving underlying trends, versus one-off factors, including salesforce productivity and a shift upmarket to larger Enterprise customers, as evidenced by the +300bps increase in cRPO contribution from net new customers despite the sequential decline in total net new customer additions.

FY guidance appears conservative, upward revisions likely

Despite a strong finish to the year, FY25 guidance calls for 10% revenue growth, compared to 22% in FY24 due to ongoing macro pressure and potential lingering impacts from the breach. However, Okta’s guidance looks conservative to us; first, the breach had no negative impact on pipeline or close rates in 4Q, an improvement from deal slippage that was seen at the end of 3Q. Second, management noted that the pipeline heading into FY25 is stronger than FY24, with a healthy number of larger deals. Lastly, deceleration of growth in 2H25 is attributed to limited visibility versus deteriorating fundamentals, which in our view leaves room for upward revisions.

Risks to our view

We flag risks to our estimates, which are above the high end of guidance. While Okta did not see an impact to new customer growth in 4Q, the breach could negatively impact renewals, pressuring pricing as well as gross retention. Additionally, challenging GTM dynamics down market could persist as Okta undergoes a shift in the sales model.

Estimates (Jan) (US\$)	2023A	2024A	2025E	2026E	2027E
EPS	(0.04)	1.75	2.37	2.60	2.90
GAAP EPS	(5.16)	(2.17)	(1.23)	(1.14)	(1.15)
EPS Change (YoY)	91.3%	NM	35.4%	9.7%	11.5%
Consensus EPS (Bloomberg)			1.98	2.36	NA
DPS	0	0	0	0	0
Valuation (Jan)					
P/E	NM	49.9x	36.8x	33.6x	30.1x
EV / EBITDA*	143.1x	37.9x	27.1x	24.4x	20.6x
Free Cash Flow Yield*	0.4%	3.4%	3.9%	3.7%	5.5%

* For full definitions of *IQmethod*SM measures, see page 6.

BoFA Securities does and seeks to do business with issuers covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Refer to important disclosures on page 7 to 9. Analyst Certification on page 5. Price Objective Basis/Risk on page 5.

12665494

Timestamp: 29 February 2024 06:01AM EST

29 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Inv. Opinion	C-3-9	C-1-9
Inv. Rating	UNDERPERFORM	BUY
Price Obj.	64.00	135.00

Madeline Brooks
Research Analyst
BoFA
+1 646 855 1971
madeline.brooks@bofa.com

Tal Liani
Research Analyst
BoFA
tal.liani@bofa.com

Tomer Zilberman
Research Analyst
BoFA
tomer.zilberman@bofa.com

Jonathan Eisenson
Research Analyst
BoFA
jonathan.eisenson@bofa.com

Stock Data

Price	87.30 USD
Price Objective	135.00 USD
Date Established	29-Feb-2024
Investment Opinion	C-1-9
52-Week Range	65.04 USD - 92.38 USD
Mkt Val (mn) / Shares Out (mn)	14,492 USD / 166.0
Free Float	98.7%
Average Daily Value (mn)	162.87 USD
BoFA Ticker / Exchange	OKTA / NAS
Bloomberg / Reuters	OKTA US / OKTA.OQ
ROE (2025E)	7.2%
Net Dbt to Eqty (Jan-2024A)	16.2%
ESGMeter TM	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BoFA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BoFA ESGMeter Methodology".

cRPO = current remaining performance obligations

GTM = go to market

iQprofileSM Okta Inc

iQmethodSM – Bus Performance*

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Return on Capital Employed	-0.1%	2.3%	4.0%	4.3%	4.6%
Return on Equity	-0.1%	5.0%	7.2%	7.6%	8.2%
Operating Margin	-0.5%	13.7%	19.5%	20.3%	20.9%
Free Cash Flow	65	489	561	541	791

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Cash Realization Ratio	NM	1.8x	1.3x	1.1x	1.4x
Asset Replacement Ratio	0.2x	0.3x	0.5x	1.0x	1.1x
Tax Rate	12,641.0%	192.5%	138.5%	132.4%	129.3%
Net Debt-to-Equity Ratio	38.2%	16.2%	6.3%	-2.0%	-12.2%
Interest Cover	-0.9x	NA	NA	NA	NA

Income Statement Data (Jan)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Sales	1,858	2,263	2,532	2,861	3,294
% Change	42.9%	21.8%	11.9%	13.0%	15.1%
Gross Profit	1,442	1,819	2,049	2,332	2,697
% Change	44.0%	26.1%	12.7%	13.8%	15.6%
EBITDA	104	394	551	612	723
% Change	207.5%	278.0%	39.9%	10.9%	18.2%
Net Interest & Other Income	16	74	96	96	96
Net Income (Adjusted)	(7)	286	438	500	580
% Change	89.5%	NM	53.1%	14.2%	16.1%

Free Cash Flow Data (Jan)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Net Income from Cont Operations (GAAP)	(833)	(355)	(227)	(219)	(230)
Depreciation & Amortization	114	84	57	32	34
Change in Working Capital	(7)	54	96	40	212
Deferred Taxation Charge	84	104	0	0	0
Other Adjustments, Net	728	625	664	719	811
Capital Expenditure	(21)	(23)	(28)	(31)	(36)
Free Cash Flow	65	489	561	541	791
% Change	-25.7%	652.3%	14.8%	-3.7%	46.3%
Share / Issue Repurchase	48	39	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	(937)	0	0	0

Balance Sheet Data (Jan)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Cash & Equivalents	264	334	895	1,436	2,227
Trade Receivables	481	559	530	800	1,462
Other Current Assets	2,484	2,087	2,292	2,445	3,380
Property, Plant & Equipment	59	48	19	19	21
Other Non-Current Assets	6,019	5,961	6,117	6,103	6,431
Total Assets	9,307	8,989	9,854	10,803	13,521
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	1,465	1,782	2,205	2,649	4,760
Long-Term Debt	2,353	1,289	1,293	1,299	1,324
Other Non-Current Liabilities	23	30	30	30	30
Total Liabilities	3,841	3,101	3,529	3,978	6,115
Total Equity	5,466	5,888	6,325	6,825	7,406
Total Equity & Liabilities	9,307	8,989	9,854	10,803	13,521

* For full definitions of iQmethodSM measures, see page 6.

Company Sector

Cyber Security

Company Description

Okta is a cloud-based Identity & Access Management (IAM) provider that offers products dedicated to securing and managing user authentication and access, addressing an \$80bn market across both Workforce Identity and Customer Identity. The company has a Software-as-a-Service (SaaS) revenue model, and currently has over 17,500 customers.

Investment Rationale

We have a Buy rating on Okta as we believe that the current valuation reflects overly conservative guidance and does not account for the inflection in Enterprise customer growth, a key driver for Okta's continued growth as a platform cybersecurity company.

Stock Data

Average Daily Volume 1,865,637

Quarterly Earnings Estimates

	2024	2025
Q1	0.24A	0.55E
Q2	0.34A	0.59E
Q3	0.48A	0.59E
Q4	0.68A	0.63E

Financial highlights

Exhibit 1: Actual vs estimated results

Okta 4Q results beat BofA expectations across the board

	4Q23	1Q24	2Q24	3Q24	4Q24E	4Q24E	QoQ	YoY	Delta
Total Revenues	510.0	518.0	556.0	584.0	605.0	586.9	3.6%	18.6%	18.1
QoQ	6.0%	1.6%	7.3%	5.0%	3.6%	0.5%			
YoY	33.2%	24.8%	23.1%	21.4%	18.6%	15.1%			
Total Cost of Sales	106.0	110.0	112.0	111.0	111.0	109.9	0.0%	4.7%	1.1
Gross Profit	404.0	408.0	444.0	473.0	494.0	477.0	4.4%	22.3%	17.0
Research & Development	88.0	95.0	98.0	95.0	91.0	92.2	-4.2%	3.4%	-1.1
Sales and Marketing	204.0	208.0	214.0	223.0	205.0	214.1	-8.1%	0.5%	-9.1
General and Admin	66.0	68.0	73.0	70.0	69.0	67.2	-1.4%	4.5%	1.8
Total Operating Expenses	358.0	371.0	385.0	388.0	365.0	373.4	-5.9%	2.0%	-8.4
Operating Income	46.0	37.0	59.0	85.0	129.0	103.6	51.8%	180.4%	25.4
YoY	nmf	nmf	nmf	32097.0%	180.4%	125.2%			
Interest income (expense)	-2.00	-3.00	-2.00	19.00	24.00	19.00	26.3%	nmf	
Other Income	12.0	18.0	17.0	1.0	0.0	1.0	nmf	nmf	-1.0
Pretax Income	56.0	52.0	74.0	105.0	153.0	123.6	45.7%	173.2%	29.4
Income Tax Expense	4.0	14.0	18.0	26.0	40.0	32.1	53.8%	900.0%	7.9
Net Income	52.0	38.0	56.0	79.0	113.0	91.5	43.0%	117.3%	21.5
Proforma EPS	0.30	0.24	0.34	0.48	0.68	\$0.51	41.6%	127.8%	0.17
Diluted Share count	174.0	161.3	162.8	164.4	166.0	179.0	1.0%	-4.6%	-13.0
Consolidated Gross Margin	79.2%	78.8%	79.9%	81.0%	81.7%	81.3%	65 bps	243 bps	37 bps
Operating Margin	9.0%	7.1%	10.6%	14.6%	21.3%	17.7%	676 bps	1230 bps	366 bps
Net Margin	10.2%	7.3%	10.1%	13.5%	18.7%	15.6%	515 bps	848 bps	309 bps

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

Exhibit 2: Summary of model changes

We tweak our model to reflect updated guidance

	Revenue (\$mn)			Gross Margin			Operating Margin			EPS		
	Old	New	Delta	Old	New	Delta	Old	New	Delta	Old	New	Delta
FY23												
1Q23	\$415	\$415	\$0	76.1%	76.1%	0 bps	-9.9%	-9.9%	0 bps	-\$0.27	\$ (0.27)	\$0.00
2Q23	\$452	\$452	\$0	76.8%	76.8%	0 bps	-3.3%	-3.3%	0 bps	-\$0.10	\$ (0.10)	\$0.00
3Q23E	\$481	\$481	\$0	78.0%	78.0%	0 bps	0.1%	0.1%	0 bps	\$0.00	\$ (0.00)	\$0.00
4Q23E	\$510	\$510	\$0	79.2%	79.2%	0 bps	9.0%	9.0%	0 bps	\$0.30	\$ 0.30	\$0.00
Total	\$1,858	\$1,858	\$0	77.6%	77.6%	0 bps	-0.5%	-0.5%	0 bps	-\$0.04	\$ (0.04)	\$0.00
FY24E												
1Q24E	\$556	\$556	\$0	79.9%	79.9%	0 bps	10.6%	10.6%	0 bps	\$0.34	\$ 0.34	\$0.00
2Q24E	\$556	\$556	\$0	79.9%	79.9%	0 bps	10.6%	10.6%	0 bps	\$0.34	\$ 0.34	\$0.00
3Q24E	\$584	\$584	\$0	81.0%	81.0%	0 bps	14.6%	14.6%	0 bps	\$0.48	\$ 0.48	\$0.00
4Q24E	\$587	\$605	\$18	81.3%	81.7%	37 bps	17.7%	21.3%	366 bps	\$0.51	\$ 0.68	\$0.17
Total	\$2,283	\$2,301	\$18	80.3%	80.4%	10 bps	12.7%	13.7%	102 bps	\$1.58	\$ 1.75	\$0.16
FY25E												
1Q25E	\$596	\$607	\$11	80.8%	81.2%	41 bps	18.5%	18.5%	2 bps	\$0.53	\$ 0.55	\$0.02
2Q25E	\$610	\$622	\$12	80.6%	81.0%	37 bps	19.8%	19.9%	5 bps	\$0.57	\$ 0.59	\$0.02
3Q25E	\$625	\$640	\$15	79.8%	80.2%	37 bps	19.0%	19.4%	36 bps	\$0.56	\$ 0.59	\$0.03
4Q25E	\$632	\$663	\$31	80.9%	81.4%	47 bps	18.3%	20.4%	207 bps	\$0.54	\$ 0.63	\$0.09
Total	\$2,462	\$2,532	\$70	80.5%	80.9%	41 bps	18.9%	19.5%	65 bps	\$2.20	\$ 2.37	\$0.17

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH



Exhibit 3: Income statement

Updated summary of key financials

Income statement in mn's	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24E	1Q25E	2Q25E	3Q25E	4Q25E	FY23	FY24E	FY25E
Subscription revenue	397.941	435.384	465.856	495.000	503.000	542.000	569.000	591.000	593.955	608.804	627.068	649.015	1,794.181	2,205.000	2,478.842
Professional services revenue	17.002	16.423	15.186	15.000	15.000	14.000	15.000	14.000	13.230	12.965	13.095	13.750	63.611	58.000	53.040
Total revenue	414.943	451.807	481.042	510.000	518.000	556.000	584.000	605.000	607.185	621.769	640.163	662.765	1,857.792	2,263.000	2,531.882
YoY%Chg	65.3%	43.2%	37.2%	33.2%	24.8%	23.1%	21.4%	18.6%	17.2%	17.1%	9.6%	9.5%	42.9%	21.8%	11.9%
Total gross profit	315.834	347.081	375.451	404.000	408.000	444.000	473.000	494.000	493.246	495.411	513.269	539.238	1,442.366	1,819.000	2,049.403
Gross margin	76.1%	76.8%	78.0%	79.2%	78.8%	79.9%	81.0%	81.7%	81.2%	77.8%	80.2%	81.4%	77.6%	80.4%	80.9%
Research & Development	92.490	85.758	79.276	88.000	95.000	98.000	95.000	91.000	97.370	102.977	96.377	99.268	345.524	379.000	388.438
Sales & Marketing	202.279	215.801	238.600	204.000	208.000	214.000	223.000	205.000	213.200	288.031	223.972	232.931	860.680	850.000	886.501
General & Administrative	62.090	60.528	57.311	66.000	68.000	73.000	70.000	69.000	70.380	72.305	68.951	72.054	245.929	280.000	279.654
Operating Income / (Loss)	(41.025)	(15.006)	0.264	46.000	37.000	59.000	85.000	129.000	112.296	32.097	123.969	134.985	(9.767)	310.000	494.810
Operating margin	-9.9%	-3.3%	0.1%	9.0%	7.1%	10.6%	14.6%	21.3%	18.5%	5.0%	19.4%	20.4%	-0.5%	13.7%	19.5%
Interest income (expense)	(2.868)	(2.915)	(2.805)	(2.000)	(3.000)	(2.000)	19.000	24.000	24.000	(2.805)	24.000	24.000	(10.588)	38.000	96.000
Other income	3.153	6.167	5.680	12.000	18.000	17.000	1.000	-	-	5.680	-	-	27.000	36.000	-
Tax (expense) benefit	1.860	4.216	3.728	4.000	14.000	18.000	26.000	40.000	35.437	3.728	38.472	41.336	13.804	98.000	153.611
Net Income (non-GAAP)	(42.600)	(15.970)	(0.589)	52.000	38.000	56.000	79.000	113.000	100.859	31.244	109.497	117.649	(7.159)	286.000	437.200
Non-GAAP EPS	\$ (0.27)	\$ (0.10)	\$ (0.00)	\$ 0.30	\$ 0.24	\$ 0.34	\$ 0.48	\$ 0.68	\$ 0.55	\$ 0.18	\$ 0.59	\$ 0.63	\$ (0.04)	1.75	\$ 2.37
GAAP EPS	\$ (1.56)	\$ (1.34)	\$ (1.32)	\$ (0.96)	\$ (0.74)	\$ (0.68)	\$ (0.49)	\$ (0.27)	\$ (0.31)	\$ (0.96)	\$ (0.32)	\$ (0.30)	\$ (5.16)	-2.17	\$ (1.23)
Total share count	155.875	157.400	158.708	174.026	161.323	162.755	164.381	166.002	182.000	171.858	185.658	187.515	161.502	163.62	184.748
Net Cash from Operating Activities	18.831	(19.049)	9.980	76.238	129.000	53.000	156.000	174.000	160.247	79.522	137.343	246.206	86.000	512.000	589.308
Free cash flow	11.016	(24.123)	5.719	72.388	124.000	49.000	150.000	166.000	153.568	72.521	130.302	238.916	65.000	489.000	561.457
FCF Margin	2.7%	-5.3%	1.2%	14.2%	23.9%	8.8%	25.7%	27.4%	25.3%	11.4%	20.4%	36.0%	3.5%	21.6%	22.2%
Cash & Cash Equivalents	194.227	216.022	249.624	264.000	125.000	356.000	400.000	334.000	487.568	652.736	656.541	895.457	264.000	334.000	895.457
Total debt	2,193.873	2,195.319	2,196.764	2,193.000	1,831.000	1,451.000	1,302.000	1,154.000	1,154.000	2,196.764	1,154.000	1,154.000	2,193.000	1,154.000	1,154.000
Net cash	(1,999.646)	(1,979.297)	(1,947.140)	(1,929.000)	(1,706.000)	(1,095.000)	(902.000)	(820.000)	(666.432)	(1,544.028)	(497.459)	(258.543)	(1,929.000)	(820.000)	(258.543)
Margin Analysis															
Total Gross Margin	76.1%	76.8%	78.0%	79.2%	78.8%	79.9%	81.0%	81.7%	81.2%	77.8%	80.2%	81.4%	77.6%	80.4%	80.9%
Research & Development	22.3%	19.0%	16.5%	17.3%	18.3%	17.6%	16.3%	15.0%	16.0%	16.6%	15.1%	15.0%	18.6%	16.7%	15.3%
Sales & Marketing	48.7%	47.8%	49.6%	40.0%	40.2%	38.5%	38.2%	33.9%	35.1%	46.3%	35.0%	35.1%	46.3%	37.6%	35.0%
General & Administrative	15.0%	13.4%	11.9%	12.9%	13.1%	13.1%	12.0%	11.4%	11.6%	11.6%	10.8%	10.9%	13.2%	12.4%	11.0%
Operating Margin	-9.9%	-3.3%	0.1%	9.0%	7.1%	10.6%	14.6%	21.3%	18.5%	19.9%	19.4%	20.4%	-0.5%	13.7%	19.5%
Tax rate (Non-GAAP)	-5%	-36%	119%	7%	27%	24%	25%	26%	26%	26%	26%	26%	208%	26%	26%
Net Income	-10.3%	-3.5%	-0.1%	10.2%	7.3%	10.1%	13.5%	18.7%	16.6%	17.6%	17.1%	17.8%	-0.4%	12.6%	17.3%
YoY Growth															
Total Revenue	65.3%	43.2%	37.2%	33.2%	24.8%	23.1%	21.4%	18.6%	17.2%	11.8%	9.6%	9.5%	42.9%	21.8%	11.9%
Total Operating Expenses	68.4%	36.1%	34.3%	12.6%	4.0%	6.3%	3.4%	2.0%	2.7%	-1.3%	0.3%	10.8%	35.1%	3.9%	3.0%
Operating Income	nmf	nmf	nmf	nmf	nmf	nmf	32097.0%	180.4%	203.5%	109.4%	45.8%	4.6%	nmf	nmf	59.6%
Net Income	nmf	nmf	nmf	nmf	nmf	nmf	nmf	117.3%	165.4%	95.0%	38.6%	4.1%	nmf	nmf	52.9%
QoQ Growth															
Total revenue	8.3%	8.9%	6.5%	6.0%	1.6%	7.3%	5.0%	3.6%	0.4%	2.4%	3.0%	3.5%			
Total Operating expenses	12.3%	1.5%	3.6%	-4.6%	3.6%	3.8%	0.8%	-5.9%	4.4%	-0.2%	2.4%	3.8%			
Operating Income	nmf	nmf	nmf	17324.2%	-19.6%	59.5%	44.1%	51.8%	-12.9%	10.0%	0.3%	8.9%			
Net Income	nmf	nmf	nmf	nmf	-26.9%	47.4%	41.1%	43.0%	-10.7%	8.3%	0.3%	7.4%			

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH



Price objective basis & risk

Okta Inc (OKTA)

Our PO of \$135 is based on 9x FY26E EV/Sales. We note this multiple is at a discount to high growth cybersecurity peers that trade at 12-16x, yet we believe this is warranted giving potential headwinds to revenue growth and the operational challenges the company faces.

Upside risks to our PO are 1) higher growth rates on greater adoption of Okta's Customer Identity products, 2) higher growth rates if Okta's products warrant a premium compared to other IAM vendors and 3) margin uplift from a more efficient sales force.

Downside risks to our PO are 1) continued price erosion of Okta's core products due to more intense competition, 2) purchase pushouts of additional products should customer budgets come down and 3) lower margin ramp if execution issues worsen.

Analyst Certification

I, Madeline Brooks, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Telecom and Data Networking Equipment Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Akamai	AKAM	AKAM US	Madeline Brooks
	Amdocs	DOX	DOX US	Tal Liani
	Arista Networks	ANET	ANET US	Tal Liani
	Cellebrite	CLBT	CLBT US	Tomer Zilberman
	Check Point Software Technologies	CHKP	CHKP US	Tal Liani
	Ciena	CIEN	CIEN US	Tal Liani
	CrowdStrike Holdings Inc.	CRWD	CRWD US	Tal Liani
	CyberArk	CYBR	CYBR US	Tal Liani
	Fastly	FSLY	FSLY US	Madeline Brooks
	Fortinet	FTNT	FTNT US	Tal Liani
	Gen Digital, Inc.	GEN	GEN US	Jonathan Eisenson
	InterDigital, Inc.	IDCC	IDCC US	Tal Liani
	Motorola Solutions	MSI	MSI US	Tomer Zilberman
	Okta Inc	OKTA	OKTA US	Madeline Brooks
	Qualcomm	QCOM	QCOM US	Tal Liani
	SentinelOne, Inc.	S	S US	Tal Liani
	Zscaler	ZS	ZS US	Tal Liani
NEUTRAL				
	Cisco Systems	CSCO	CSCO US	Tal Liani
	Palo Alto Networks	PANW	PANW US	Tal Liani
UNDERPERFORM				
	Cloudflare	NET	NET US	Madeline Brooks
	CommScope	COMM	COMM US	Tal Liani
	F5 Inc	FFIV	FFIV US	Tal Liani
	SecureWorks	SCWX	SCWX US	Tal Liani



iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

iQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

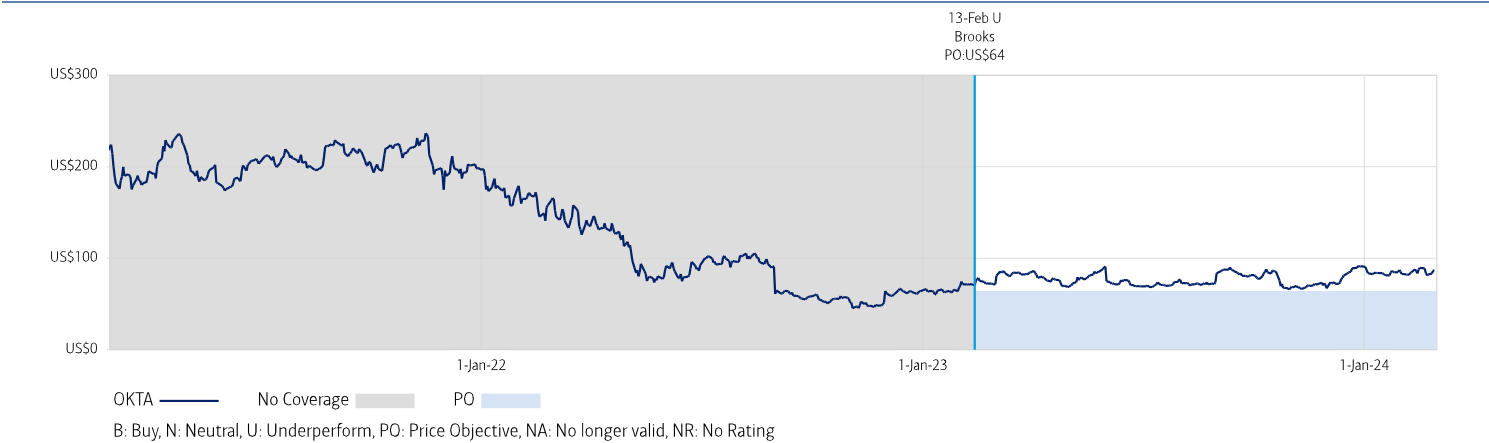
iQdatabase[®] is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

iQprofileSM, iQmethodSM are service marks of Bank of America Corporation. iQdatabase[®] is a registered service mark of Bank of America Corporation.

Disclosures

Important Disclosures

Okta Inc (OKTA) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Telecommunications Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	57	51.82%	Buy	43	75.44%
Hold	27	24.55%	Hold	17	62.96%
Sell	26	23.64%	Sell	12	46.15%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. VOLATILITY RISK RATINGS, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. INVESTMENT RATINGS reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

INCOME RATINGS, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. Coverage Cluster is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

Price Charts for the securities referenced in this research report are available on the [Price Charts website](#), or call 1-800-MERRILL to have them mailed. BofAS or one of its affiliates acts as a market maker for the equity securities recommended in the report: Okta Inc. BofAS or an affiliate has received compensation from the issuer for non-investment banking services or products within the past 12 months: Okta Inc. The issuer is or was, within the last 12 months, a non-securities business client of BofAS and/or one or more of its affiliates: Okta Inc. BofAS or one of its affiliates is willing to sell to, or buy from, clients the common equity of the issuer on a principal basis: Okta Inc. The issuer is or was, within the last 12 months, a securities business client (non-investment banking) of BofAS and/or one or more of its affiliates: Okta Inc. BofA Global Research personnel (including the analyst(s) responsible for this report) receive compensation based upon, among other factors, the overall profitability of Bank of America Corporation, including profits derived from investment banking. The analyst(s) responsible for this report may also receive compensation based upon, among other factors, the overall profitability of the Bank's sales and trading businesses relating to the class of securities or financial instruments for which such analyst is responsible.

Other Important Disclosures

From time to time research analysts conduct site visits of covered issuers. BofA Global Research policies prohibit research analysts from accepting payment or reimbursement for travel expenses from the issuer for such visits.

Prices are indicative and for information purposes only. Except as otherwise stated in the report, for any recommendation in relation to an equity security, the price referenced is the publicly traded price of the security as of close of business on the day prior to the date of the report or, if the report is published during intraday trading, the price referenced is indicative of the traded price as of the date and time of the report and in relation to a debt security (including equity preferred and CDS), prices are indicative as of the date and time of the report and are from various sources including BofA Securities trading desks.

The date and time of completion of the production of any recommendation in this report shall be the date and time of dissemination of this report as recorded in the report timestamp.

Recipients who are not institutional investors or market professionals should seek the advice of their independent financial advisor before considering information in this report in connection with any investment decision, or for a necessary explanation of its contents.

Officers of BofA or one or more of its affiliates (other than research analysts) may have a financial interest in securities of the issuer(s) or in related investments.

Refer to [BofA Global Research policies relating to conflicts of interest](#).

'BofA Securities' includes BofA Securities, Inc. ('BofAS') and its affiliates. Investors should contact their BofA Securities representative or Merrill Global Wealth Management financial advisor if they have questions concerning this report or concerning the appropriateness of any investment idea described herein for such investor. 'BofA Securities' is a global brand for BofA Global Research.

Information relating to Non-US affiliates of BofA Securities and Distribution of Affiliate Research Reports:

BofAS and/or Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") may in the future distribute, information of the following non-US affiliates in the US (short name: legal name, regulator): Merrill Lynch (South Africa): Merrill Lynch South Africa (Pty) Ltd., regulated by The Financial Service Board; MLI (UK): Merrill Lynch International, regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA); BofASE (France): BofA Securities Europe SA is authorized by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers (AMF). BofA Securities Europe SA ("BofASE") with registered address at 51, rue La Boétie, 75008 Paris is registered under no 842 602 690 RCS Paris. In accordance with the provisions of French Code Monétaire et Financier (Monetary and Financial Code), BofASE is an établissement de crédit et d'investissement (credit and investment institution) that is authorised and supervised by the European Central Bank and the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers. BofASE's share capital can be found at www.bofam.com/BofASEdisclaimer; BofA Europe (Milan): Bank of America Europe Designated Activity Company, Milan Branch, regulated by the Bank of Italy, the European Central Bank (ECB) and the Central Bank of Ireland (CBI); BofA Europe (Frankfurt): Bank of America Europe Designated Activity Company, Frankfurt Branch regulated by BaFin, the ECB and the CBI; BofA Europe (Madrid): Bank of America Europe Designated Activity Company, Sucursal en España, regulated by the Bank of Spain, the ECB and the CBI; Merrill Lynch (Australia): Merrill Lynch Equities (Australia) Limited, regulated by the Australian Securities and Investments Commission; Merrill Lynch (Hong Kong): Merrill Lynch (Asia Pacific) Limited, regulated by the Hong Kong Securities and Futures Commission (HKSCF); Merrill Lynch (Singapore): Merrill Lynch (Singapore) Pte Ltd, regulated by the Monetary Authority of Singapore (MAS); Merrill Lynch (Canada): Merrill Lynch Canada Inc, regulated by the Canadian Investment Regulatory Organization; Merrill Lynch (Mexico): Merrill Lynch Mexico, SA de CV, Casa de Bolsa, regulated by the Comisión Nacional Bancaria y de Valores; Merrill Lynch (Argentina): Merrill Lynch Argentina SA, regulated by Comisión Nacional de Valores; BofAS Japan: BofA Securities Japan Co., Ltd., regulated by the Financial Services Agency; Merrill Lynch (Seoul): Merrill Lynch International, LLC Seoul Branch, regulated by the Financial Supervisory Service; Merrill Lynch (Taiwan): Merrill Lynch Securities (Taiwan) Ltd., regulated by the Securities and Futures Bureau; BofAS India: BofA Securities India Limited, regulated by the Securities and Exchange Board of India (SEBI); Merrill Lynch (Israel): Merrill Lynch Israel Limited, regulated by Israel Securities Authority; Merrill Lynch (DIFC): Merrill Lynch International (DIFC Branch), regulated by the Dubai Financial Services Authority (DFSA); Merrill Lynch (Brazil): Merrill Lynch S.A. Corretora de Títulos e Valores Mobiliários, regulated by Comissão de Valores Mobiliários; Merrill Lynch KSA Company: Merrill Lynch Kingdom of Saudi Arabia Company, regulated by the Capital Market Authority.

This information: has been approved for publication and is distributed in the United Kingdom (UK) to professional clients and eligible counterparties (as each is defined in the rules of the FCA and the PRA) by MLI (UK), which is authorized by the PRA and regulated by the FCA and the PRA - details about the extent of our regulation by the FCA and PRA are available from us on request; has been approved for publication and is distributed in the European Economic Area (EEA) by BofASE (France), which is authorized by the ACPR and regulated by the ACPR and the AMF; has been considered and distributed in Japan by BofAS Japan, a registered securities dealer under the Financial Instruments and Exchange Act in Japan, or its permitted affiliates; is issued and distributed in Hong Kong by Merrill Lynch (Hong Kong) which is regulated by HKSCF; is issued and distributed in Taiwan by Merrill Lynch (Taiwan); is issued and distributed in India by BofAS India; and is issued and distributed in Singapore to institutional investors and/or accredited investors (each as defined under the Financial Advisers Regulations) by Merrill Lynch (Singapore) (Company Registration No 198602883D). Merrill Lynch (Singapore) is regulated by MAS. Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795), AFS License 235132 (MLEA) distributes this information in Australia only to 'Wholesale' clients as defined by s.761G of the Corporations Act 2001. With the exception of Bank of America N.A., Australia Branch, neither MLEA nor any of its affiliates involved in preparing this information is an Authorised Deposit-Taking Institution under the Banking Act 1959 nor regulated by the Australian Prudential Regulation Authority. No approval is required for publication or distribution of this information in Brazil and its local distribution is by Merrill Lynch (Brazil) in accordance with applicable regulations. Merrill Lynch (DIFC) is authorized and regulated by the DFSA. Information prepared and issued by Merrill Lynch (DIFC) is done so in accordance with the requirements of the DFSA conduct of business rules. BofA Europe (Frankfurt) distributes this information in Germany and is regulated by BaFin, the ECB and the CBI. BofA Securities entities, including BofA Europe and BofASE (France), may outsource/delegate the marketing and/or provision of certain research services or aspects of research services to other branches or members of the BofA Securities group. You may be contacted by a different BofA Securities entity acting for and on behalf of your service provider where permitted by applicable law. This does not change your service provider.

Please refer to the [Electronic Communications Disclaimers](#) for further information.

This information has been prepared and issued by BofAS and/or one or more of its non-US affiliates. The author(s) of this information may not be licensed to carry on regulated activities in your jurisdiction and, if not licensed, do not hold themselves out as being able to do so. BofAS and/or MLPF&S is the distributor of this information in the US and accepts full responsibility for information distributed to BofAS and/or MLPF&S clients in the US by its non-US affiliates. Any US person receiving this information and wishing to effect any transaction in any security discussed herein should do so through BofAS and/or MLPF&S and not such foreign affiliates. Hong Kong recipients of this information should contact Merrill Lynch (Asia Pacific) Limited in respect of any matters relating to dealing in securities or provision of specific advice on securities or any other matters arising from, or in connection with, this information. Singapore recipients of this information should contact Merrill Lynch (Singapore) Pte Ltd in respect of any matters arising from, or in connection with, this information. For clients that are not accredited investors, expert investors or institutional investors Merrill Lynch (Singapore) Pte Ltd accepts full responsibility for the contents of this information distributed to such clients in Singapore.

General Investment Related Disclosures:

Taiwan Readers: Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument. No part of this report may be used or reproduced or quoted in any manner whatsoever in Taiwan by the press or any other person without the express written consent of BofA Securities.

This document provides general information only, and has been prepared for, and is intended for general distribution to, BofA Securities clients. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other financial instrument or any derivative related to such securities or instruments (e.g., options, futures, warrants, and contracts for differences). This document is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of, and is not directed to, any specific person(s). This document and its content do not constitute, and should not be considered to constitute, investment advice for purposes of ERISA, the US tax code, the Investment Advisers Act or otherwise. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this document and should understand that statements regarding future prospects may not be realized. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this document.

Securities and other financial instruments referred to herein, or recommended, offered or sold by BofA Securities, are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution (including, Bank of America, N.A.). Investments in general and, derivatives, in particular, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. No security, financial instrument or derivative is suitable for all investors. Digital assets are extremely speculative, volatile and are largely unregulated. In some cases, securities and other financial instruments may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from such securities and other financial instruments, if any, may fluctuate and that price or value of such

securities and instruments may rise or fall and, in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance. Levels and basis for taxation may change.

This report may contain a short-term trading idea or recommendation, which highlights a specific near-term catalyst or event impacting the issuer or the market that is anticipated to have a short-term price impact on the equity securities of the issuer. Short-term trading ideas and recommendations are different from and do not affect a stock's fundamental equity rating, which reflects both a longer term total return expectation and attractiveness for investment relative to other stocks within its Coverage Cluster. Short-term trading ideas and recommendations may be more or less positive than a stock's fundamental equity rating.

BoFA Securities is aware that the implementation of the ideas expressed in this report may depend upon an investor's ability to "short" securities or other financial instruments and that such action may be limited by regulations prohibiting or restricting "shortselling" in many jurisdictions. Investors are urged to seek advice regarding the applicability of such regulations prior to executing any short idea contained in this report.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned herein. Investors in such securities and instruments, including ADRs, effectively assume currency risk.

BoFA or one of its affiliates is a regular issuer of traded financial instruments linked to securities that may have been recommended in this report. BoFA or one of its affiliates may, at any time, hold a trading position (long or short) in the securities and financial instruments discussed in this report.

BoFA Securities, through business units other than BoFA Global Research, may have issued and may in the future issue trading ideas or recommendations that are inconsistent with, and reach different conclusions from, the information presented herein. Such ideas or recommendations may reflect different time frames, assumptions, views and analytical methods of the persons who prepared them, and BoFA Securities is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this information.

In the event that the recipient received this information pursuant to a contract between the recipient and BoFA for the provision of research services for a separate fee, and in connection therewith BoFA may be deemed to be acting as an investment adviser, such status relates, if at all, solely to the person with whom BoFA has contracted directly and does not extend beyond the delivery of this report (unless otherwise agreed specifically in writing by BoFA). If such recipient uses the services of BoFA in connection with the sale or purchase of a security referred to herein, BoFA may act as principal for its own account or as agent for another person. BoFA is and continues to act solely as a broker-dealer in connection with the execution of any transactions, including transactions in any securities referred to herein.

BoFA ESGMeter Methodology:

ESGMeter is a proprietary metric based on quantitative analysis and fundamental analyst inputs that reflects our assessment of a company's Environmental, Social and Governance-related attributes. The ESGMeter is intended to indicate a company's likelihood of experiencing stronger financial stability (higher return on equity and lower earnings and price volatility) over the next three years relative to peer group. There are three ESGMeter levels - Low, Medium, and High - which indicate whether a company has attributes most likely to translate into superior financial stability (in the case of a High level) or weaker financial stability (in the case of a Low level) over the next three years relative to its peer group. A Medium level suggests that a company exhibits ESG characteristics that are likely associated with financial stability results in line with its peer group over the next three years. Full details of our methodology, financial stability definition and disclaimers are available at [BoFA ESGMeter methodology](#). ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating.

ESGMeter is independent of the BoFA Global Research fundamental equity analyst's investment rating, volatility risk rating, income rating or price objective for that company.

Copyright and General Information:

Copyright 2024 Bank of America Corporation. All rights reserved. iQdatabase® is a registered service mark of Bank of America Corporation. This information is prepared for the use of BoFA Securities clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of BoFA Securities. BoFA Global Research information is distributed simultaneously to internal and client websites and other portals by BoFA Securities and is not publicly-available material. Any unauthorized use or disclosure is prohibited. Receipt and review of this information constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained herein (including any investment recommendations, estimates or price targets) without first obtaining express permission from an authorized officer of BoFA Securities.

Materials prepared by BoFA Global Research personnel are based on public information. Facts and views presented in this material have not been reviewed by, and may not reflect information known to, professionals in other business areas of BoFA Securities, including investment banking personnel. BoFA Securities has established information barriers between BoFA Global Research and certain business groups. As a result, BoFA Securities does not disclose certain client relationships with, or compensation received from, such issuers. To the extent this material discusses any legal proceeding or issues, it has not been prepared as nor is it intended to express any legal conclusion, opinion or advice. Investors should consult their own legal advisers as to issues of law relating to the subject matter of this material. BoFA Global Research personnel's knowledge of legal proceedings in which any BoFA Securities entity and/or its directors, officers and employees may be plaintiffs, defendants, co-defendants or co-plaintiffs with or involving issuers mentioned in this material is based on public information. Facts and views presented in this material that relate to any such proceedings have not been reviewed by, discussed with, and may not reflect information known to, professionals in other business areas of BoFA Securities in connection with the legal proceedings or matters relevant to such proceedings.

This information has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. None of BoFA or any of its affiliates or their research analysts has any authority whatsoever to make any representation or warranty on behalf of the issuer(s). BoFA Global Research policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

The information herein (other than disclosure information relating to BoFA Securities and its affiliates) was obtained from various sources and we do not guarantee its accuracy. This information may contain links to third-party websites. BoFA Securities is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this information and is not incorporated by reference. The inclusion of a link does not imply any endorsement by or any affiliation with BoFA Securities. Access to any third-party website is at your own risk, and you should always review the terms and privacy policies at third-party websites before submitting any personal information to them. BoFA Securities is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

All opinions, projections and estimates constitute the judgment of the author as of the date of publication and are subject to change without notice. Prices also are subject to change without notice. BoFA Securities is under no obligation to update this information and BoFA Securities ability to publish information on the subject issuer(s) in the future is subject to applicable quiet periods. You should therefore assume that BoFA Securities will not update any fact, circumstance or opinion contained herein.

Subject to the quiet period applicable under laws of the various jurisdictions in which we distribute research reports and other legal and BoFA Securities policy-related restrictions on the publication of research reports, fundamental equity reports are produced on a regular basis as necessary to keep the investment recommendation current.

Certain outstanding reports or investment opinions relating to securities, financial instruments and/or issuers may no longer be current. Always refer to the most recent research report relating to an issuer prior to making an investment decision.

In some cases, an issuer may be classified as Restricted or may be Under Review or Extended Review. In each case, investors should consider any investment opinion relating to such issuer (or its security and/or financial instruments) to be suspended or withdrawn and should not rely on the analyses and investment opinion(s) pertaining to such issuer (or its securities and/or financial instruments) nor should the analyses or opinion(s) be considered a solicitation of any kind. Sales persons and financial advisors affiliated with BoFA or any of its affiliates may not solicit purchases of securities or financial instruments that are Restricted or Under Review and may only solicit securities under Extended Review in accordance with firm policies.

Neither BoFA Securities nor any officer or employee of BoFA Securities accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this information.