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From Subscription Revenue to Intrinsic Value:
A Company Valuation of Okta Inc.

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Abstract

Okta, the largest independent identity-and-access-management platform, has seen its market value swing sharply amid rising interest rates and volatile software multiples. This work project derives Okta's intrinsic equity value through an integrated operating model that feeds a discounted-cash-flow model, peer trading multiples and precedent identity-software transactions, all rooted in detailed forecasts of revenue mix, margin expansion and capital intensity. Scenario-weighted DCF indicates US \$124.60 per share; a growth-adjusted revenue multiple corroborates at US \$114.02, yielding a blended estimate of US \$120.37, which is about 8% above May 1, 2025 stock closing price.

Keywords: Okta Inc., Cybersecurity, SaaS, Company Valuation, DCF

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1. Introduction

Digital identity sits at the centre of today's cyber-security architecture. Every access request, whether from an employee laptop, a mobile banking customer or an API orchestrating a supply-chain workflow must be authenticated, authorised and continuously evaluated for risk. Statista estimates that global spending on identity-and-access-management (IAM) was \$16 billion in 2022 and is forecasted to reach \$43.1 billion by 2029 (Statista 2025). Within this expanding arena, Okta has emerged as the largest independent platform with more than 19,000 customers. Yet the company's market capitalisation has swung from US \$45 billion in February 2021 to barely US \$18 billion at the start of 2025, mirroring a broader compression in software valuations as interest rates normalised and investors rotated from growth to cash-flow resilience. The volatility raises a practical question for both practitioners and scholars: what is Okta really worth when one separates noise from fundamentals?

This thesis addresses that question by conducting a full-scale valuation of Okta. An appraisal, grounded in discounted free cash flow, converts detailed operating forecasts into present value; a trading-comparable study benchmarks the company's multiples against a peer set of identity-centric SaaS vendors; and a transaction-comparable analysis that reflects the control-premia paid in recent take-private and strategic acquisitions such as Thoma Bravo's purchases of Ping Identity and SailPoint. The three lenses are then reconciled to extract a coherent valuation range and to diagnose how market pricing may diverge from intrinsic worth.

Unless stated otherwise, all quantitative figures and company-specific facts for Okta cited in this thesis are drawn from the firm's annual Form 10-K filings and its earnings commentary.

2. Company & Industry Overview

2.1. Company

Okta, founded in 2009 and publicly listed since 2017, operates a pure-play Software-as-a-Service model that monetizes identity as a cloud utility. Subscriptions, typically priced per user or per external identity on annual or multi-year contracts, generated 98% of the company's fiscal-year 2025 revenue, while low-margin professional services provided implementation support rather than profit. High gross margins of roughly 76% reflect the efficiency of a multitenant platform, yet the model also depends on heavy front-loaded spending in R&D and sales to win large enterprises and then “land-and-expand” through cross-selling. Okta's neutrality is its differentiator: more than 7,000 pre-built integrations allow customers to standardize authentication across heterogeneous application stacks instead of locking into a single vendor ecosystem.

The product suite is anchored by the Workforce Identity Cloud, which offers single sign-on, adaptive multi-factor authentication, lifecycle automation, API access management, and Customer Identity Cloud, inherited from the \$6.5 billion acquisition of Auth0 in 2021 (Hu 2021). Since 2022 Okta has pushed beyond core access management, introducing Identity Governance for compliant access certifications, Okta Privileged Access to protect high-risk administrator accounts, and Okta Identity Threat Protection with AI for continuous session-risk detection. The 2023 purchase of Israeli start-up Spera Security added identity-threat-detection and posture-management technology that Okta is weaving into its platform to meet rising demand for proactive defence (Wiggers 2023). These moves aim to position Okta as a full-spectrum identity layer spanning workforce, customer, governance, and security-analytics needs.

Financially, the company has combined rapid scale with a turn toward profitability. Revenue climbed from US \$1.86 billion in fiscal 2023 to US \$2.26 billion in 2024 and US \$2.61 billion in 2025, a three-year compound annual growth rate of 18 percent. Gross profit expanded in lockstep, and operating-expense discipline narrowed GAAP net losses from US \$355 million in 2024 to a first-ever annual profit of US \$28 million in 2025. Customer count reached 19,650, including 4,800 accounts with annual contract value above US \$100,000, yet dollar-based net retention eased to 107 percent as seat expansion slowed in a softer macro environment (*Table 1*).

Strategically, Okta's priorities are threefold. First, it is integrating Auth0 more tightly to unlock cross-selling while preserving the developer-centric ethos that made Auth0 popular for customer-facing apps. Second, it is embedding artificial-intelligence analytics and Identity Threat Detection Response (ITDR) capabilities across the platform. Third, the company is extending into adjacent identity domains; governance, privileged access, and machine-to-machine identities, where spend remains fragmented among legacy incumbents such as SailPoint and CyberArk (Novinson 2023). Success here could unlock incremental wallet share and defend against security-platform entrants that are converging endpoint, network, and identity data.

Okta nevertheless faces material risks as macro headwinds could curb expansion as enterprises scrutinize IT budgets. In addition, the talent and capital required to keep pace with AI-driven threats, passkey adoption, and evolving regulations present an execution challenge. Whether Okta can continue converting its neutral-platform narrative into profitable growth will be central to its long-term valuation.

2.2. Industry & Market Analysis

The identity-and-access-management (IAM) market is expanding briskly as enterprises embrace cloud software, hybrid work and tighter security mandates. MarketsandMarkets values global IAM revenue at US \$22.9 billion in 2024 and predicts US \$34.3 billion by 2029, a compound annual growth rate (CAGR) of 8.4 percent (MarketsandMarkets 2024). Using a broader lens that counts identity-centric data-protection tools, Fortune Business Insights puts the figure at US \$19.8 billion in 2024 and US \$61.7 billion by 2032—15.3 percent CAGR (Fortune Business Insights 2024). The momentum is logical: boundary-less networks make identity the first security control, regulators now demand strong authentication and auditable governance, and credential theft remains the dominant breach vector. Artificial-intelligence (AI) tools simultaneously widen attack surfaces and equip defenders with behavioural analytics, intensifying demand for modern IAM (McKinsey & Company 2024).

Competition centres on two giants and several ambitious platform entrants. Independent vendor Okta commands roughly 42 percent of the SaaS IAM installed base tracked by 6sense, its neutrality and 7,000-plus integrations appealing to multicloud buyers (6sense 2024). Microsoft counters with Azure Active Directory, relaunched as Microsoft Entra ID, bundled inside Microsoft 365 and Azure plans. Microsoft's scale and embedded pricing oblige Okta to deliver superior cross-platform coverage and faster innovation.

Security-platform providers are converging on identity as part of zero-trust strategies. Zscaler weaves identity telemetry into its Secure Service Edge architecture and resides in Gartner's Leaders quadrant for that segment (Gartner 2024). Legacy and niche players IBM Security Verify, Ping Identity/ForgeRock, CyberArk, SailPoint, Oracle and One Identity still serve privileged-access or on-premises requirements but lack the breadth or SaaS pedigree of the Okta–Microsoft duopoly.

The United States instructs federal agencies to reach zero-trust maturity, guided by CISA's Zero Trust Maturity Model (CISA 2023). This elevates IAM to a board-level compliance issue and drives investment in multi-factor authentication, governance and privileged access.

Technological shifts are equally decisive. Vendors now embed machine-learning models for continuous risk assessment and automated remediation; Okta and CrowdStrike have already rolled out such engines. In sum, regulatory mandates, zero-trust frameworks, AI-enabled defence and passwordless standards are raising the bar. IAM providers able to fuse these elements into a standards-based, intelligence-rich platform are best placed to capture the market's continuing expansion.

3. Company Valuation

3.1. Forecast Assumptions

Before any valuation technique is applied, the company's future operating reality must be translated into a set of numerically consistent drivers. The forecast assumptions part (*Table 2*) therefore builds a fully articulated operating model that links Okta's top-line growth, margin trajectory and cash-conversion to the free-cash-flow stream used in the Discounted Free Cash Flow (DCF) valuation. The modelling starts with the revenue engine, layer on cost ratios that converge toward steady-state benchmarks, and finishes with working capital, capital expenditure and taxes, that turn accrual earnings into cash. Each subsection adopts a "driver × ratio" format.

Revenues are projected separately for subscription and professional-services lines, preserving the economics of annual billing and module attach. Cost ratios then convert those sales into gross profit and operating income. Capital intensity and working capital are scaled to revenue using long-run SaaS medians so that free cash flow remains internally coherent even as growth decelerates.

The explicit forecast stops at FY 2031 because six projection years are sufficient for Okta to transition from its current "growth-with-investment" phase to a steady-state margin and cash-tax profile. By that point revenue growth has tapered to low-single digits, the operating margin has converged on management's >20 percent long-term target, and the company's net-operating-loss shield is fully utilized; conditions that satisfy standard DCF practice for switching from discrete forecasts to a perpetual growth model.

In the following sections the base parameters of the forecast are discussed. These base-case parameters are anchored in Okta's historical averages, quantitative guidance contained in the FY-2025 10-K & the March 2025 earnings call and sector benchmarks. Parallel models were also run with the Bull and Bear assumptions laid out later.

Revenue Drivers (Subscription vs. Professional Services)

Okta's top line is dominated by recurring, cloud-delivered subscriptions. In fiscal year 2025 (year-end 31 January 2025) subscription revenue rose to US \$2.56 billion, or 98 percent of total revenue, while professional-services and "other" revenue fell to US \$54 million (2 percent of subscription revenue).

Three engines propel subscription growth. First, existing customers enlarge seat counts and attach higher-value modules such as Identity Governance (IGA) and Privileged-Access Management (PAM); the result is a dollar-based net-retention rate of 107 percent in fiscal 2025, meaning that each customer cohort spends more in its second year than in its first. Second, Okta continues to add new logos: paying customers exceeded 19,650, a 10-percent increase year on year. Third, the 2021 acquisition of Auth0 has opened a parallel growth vector in customer-identity management. These drivers, combined with secular forces such as zero-trust mandates and emerging passkey standards help Okta sustain a high single digit revenue growth rate over the next years. Management guided a revenue growth of 9-10 percent for FY26, the model ultimately assumes a growth of 9.5 percent.

Professional-services revenue, by contrast, plays a deliberately auxiliary role. Management increasingly routes large deployments through global-systems integrators such as Accenture and Deloitte, a strategy expected to cap professional-services growth at low-single-digit rates and to keep the line at roughly two percent of Subscription base revenue over the forecast horizon.

These dynamics shape the forecasting framework. The base case assumes subscription growth decelerates from 9.5 percent in fiscal 2026 to four percent by fiscal 2031, mirroring the gradual maturation of the identity-and-access-management market. The resulting mix shift toward higher-margin subscriptions is the principal reason company-wide gross margin is projected to widen by about 150 basis points in the explicit forecast period.

In short, Okta's revenue engine is powered by long-duration, high-margin subscription contracts, supported by a low-margin services layer whose sole purpose is to foster adoption. The total revenue is expected to climb in the base scenario from US \$2.61 billion in FY25 to US \$3.8 billion in FY31.

Cost Structure and SBC Trajectory

Okta's income statement is characterized by a high-gross-margin subscription engine layered over a still-heavy operating-expense base.

On the cost-of-revenue side, subscription COGS consist mainly of public-cloud hosting, customer-support salaries and third-party software royalties; they absorbed US \$549 million in FY-2025, equal to 21 percent of revenue, while professional-services COGS consumed a far smaller US \$69 million. Implementation projects, marketed as SmartStart packages or bespoke integrations, are priced at or below cost to shorten time-to-value; the segment recorded a negative gross margin of 0.6 percent in fiscal 2025, an improvement from 0.9 percent in the prior year. The resulting blended GAAP gross margin has developed from 70.6 percent in FY23 to 76.3 percent in FY25, reflecting scale efficiencies. The cost of revenue is expected to remain broadly unchanged, with subscription COGS slightly declining to 20 percent of total sales by FY 2031, while professional-services and other COGS hold steady at 2.5 percent of total sales. This cost structure will result in a target Gross Profit margin of 77.5 percent reached in FY28.

Below gross profit, operating expenses remain elevated but are trending downward as a share of revenue. Sales and marketing fell to 37 percent of revenue in FY-2025 from 57 percent two years earlier, but is still the largest operating expense line. The forecast estimates the sales and marketing expenses at 30 percent of revenue in FY31. This would be a 19 percent decline from the FY25 value. Research and development absorbed 24.6 percent of revenue, a figure that management argues is necessary to support rapid feature cadence in identity lifecycle management and advanced risk signals but is nevertheless guided to settle in the high-teens and is therefore forecasted to be 17 percent of revenue in FY31. General and administrative expense has already begun to scale, dropping from 22 percent (FY23) to 17 percent (FY25) of revenue as back-office systems are rationalised post-Auth0 acquisition. This decline is forecasted to continue until the expenses reach a level of 9 percent of revenue in FY31, which would be an almost 48 percent decline. Restructuring expenses amounted to US \$11 million in FY25, which is only 0.4 percent of revenue and thus are forecast to stay zero for the next years.

Stock-based compensation (SBC) cuts across every functional bucket and remains the company's dominant non-cash expense (*Table 3*). In FY-2025 Okta recognised US \$565 million in SBC, equivalent to 22 percent of total revenue. SBC is fully embedded in Okta's reported operating-expense lines because U.S. GAAP treats share-based awards as a non-cash expense recognised over the vesting period. While this accounting treatment appropriately reduces GAAP operating income, it does not consume cash in the period of recognition. For valuation purposes, the DCF model follows the standard practitioner approach of adding SBC back to after-tax operating profit when deriving un-levered free cash flow. In other words, SBC is treated as a non-cash reconciling item that preserves the integrity of the GAAP margin structure while ensuring that only true cash outflows reduce free cash flow and enterprise value. Okta's forecast assumes that stock-based compensation will decline from 21.6 percent of revenue in fiscal 2025 to 12 percent by fiscal 2031,

a trajectory grounded in management guidance to bring SBC into the low-teens as a percentage of revenue over the next five years.

The trajectory of SBC and the pace at which sales and marketing pulls back from the high-30s will be the primary determinant of Okta's free-cash-flow conversion over the explicit forecast horizon. The aggregate of these cost trends yields a GAAP operating margin that improved to -3 percent in FY-2025 up from -44 percent in FY23, the company's highest level since going public, and sets the base for the >20 percent long-term margin that is forecasted in this model. The operating income has reached US \$ -74 million in FY25 and is forecasted to grow in the base case to US \$ 821 million in FY31.

Capital Expenditure & Working-Capital Dynamics

Okta's asset-light architecture translates into modest capital-expenditure (capex) requirements. Cash purchases of property and equipment have averaged US \$9 million per year, between FY-2023 and FY-2025, which funds office build-outs and network equipment housed in third-party data centres. US \$12 million (FY25) were related to capitalised internal-use software, principally enhancements to the Workforce Identity Cloud console and the Auth0 extensibility layer. Because Okta relies on hyperscale providers for primary compute and storage, the company avoids the step-function capex spikes that burden on-premises software vendors. Therefore, the capital-expenditure forecast will assume that the already low capex spend of 0.8 percent of revenue (FY25) will only slightly decline to 0.6 percent in FY31. Depreciation and amortisation, dominated by the amortisation of capitalised software, is expected to converge toward 2.7 percent of revenue in the terminal period, down from 3.4% in FY25.

Amortisation of deferred sales commissions has hovered around five per cent of total revenue for the past three fiscal years, reflecting Okta's largely one- to three-year contract tenure and the

straight-line expense profile prescribed by the standard. Because management reports no material change in average contract length or in the cost structure of its quota-carrying workforce, the model assumes that this ratio will remain constant at 5 percent of revenue throughout FY 2026–31.

Working capital (*Table 4*) is structurally negative, a characteristic typical of annual-bill SaaS models. At FY-2025 year-end accounts receivable totalled US \$621 million and days-sales-outstanding (DSO) stood at 82 days. The DSO FY25 were calculated with the following formula:

$$DSO = \frac{AR_t + AR_{t-1}}{2 \times Revenue_t} \times 365 \text{ days} = 82 \text{ days}$$

Management attributes the stability to automated credit-clearance rules that prevent sales reps from booking multi-year deals unless the first-year invoice is issued immediately. In the forecast model the base case assumes DSO improves from 82 days (FY25) to 75 days (FY31), reflecting incremental automation of quote-to-cash processes. The future accounts receivable are then forecasted like this:

$$AR_t = Revenue_t \times \frac{DSO_t}{365}$$

Prepaid expenses and other current assets were 5.1 percent of revenue in FY25 and are expected to stay at 5 percent of revenue for the next years.

The accounts payable for FY25 were calculated by this formula:

$$DPO = \frac{AP_{t-1} + AP_t}{2 \times Cost \text{ of } Revenue_t} \times 365 \text{ days} = 7 \text{ days}$$

Since Okta’s trade-payables balance is driven almost entirely by public-cloud hosting fees and routine software-as-a-service subscriptions that are charged to corporate purchasing cards, the DPO are forecast to stay constant at 7 days.

The forecast of the accounts payable was conducted by using:

$$\text{Accounts Payable}_t = \text{Cost of Revenue}_t \times \frac{DPO_t}{365}$$

Deferred revenue reached US \$1.69 billion (FY25), providing a substantial working-capital source. The deferred-revenue coverage gradually declines to 56 percent of next-year revenue as the mix shifts toward multi-product bundles with shorter contract lengths. Prepaid expenses and other current assets are modest; the largest component is prepaid cloud-infrastructure credits with AWS and Google. On the liability side, accrued compensation rose to US \$207 million (FY25). The net result is a negative operating-working-capital balance of US \$1.26 billion for FY25, enabling Okta to finance a portion of its growth from customer prepayments.

These trajectories produce a change in net working capital that oscillates between –2 and –1 percent of revenue, adding modest but persistent tail-winds to un-levered free-cash-flow. Consequently, capital-expenditure restraint and structurally negative working capital reinforce Okta’s path to a mid-thirties free-cash-flow margin despite only moderate improvements in operating profitability.

Cash-Tax Ramp and Net-Operating-Loss Utilisation

Okta’s fiscal-2025 income-tax line illustrates the sharp divide between GAAP tax provision and cash taxes actually paid. In the year ended 31 January 2025 the company reported a US \$18 million income-tax provision, an effective 39 percent book rate on US \$46 million of pretax income, yet the cash-flow statement shows zero cash taxes remitted. The large provision arose almost entirely from the release of valuation allowances recorded in prior years, a non-cash bookkeeping entry required once management concluded that a portion of previously unrecognised deferred-tax assets would be realisable. It therefore has no bearing on the cash that will leave the firm in future periods.

What governs future cash taxation is Okta's stock of net-operating-loss (NOL) carry-forwards and tax credits, not the GAAP provision rate. At FY-end 2025 the company held US \$2.7 billion of federal NOLs and US \$2 billion of state NOLs that begin to expire in 2026 and 2036 and a combined \$216 million of California and Federal R&D tax credits. NOLs can offset only 80 percent of taxable income in any given year (Bloomberg Tax 2018). Consequently, even after Okta becomes structurally profitable, at least 20 percent of pretax earnings will remain subject to tax until the federal NOL pool is exhausted.

To reduce the complexity and timing uncertainty of the NOL carry-forwards, the base forecast sets the cash-tax rate at zero for FY-2026 and beginning in FY-2027 the model ramps the cash-tax rate upward in five-percentage-point increments: 5 percent in FY-2027, 10 percent in FY-2028 and so on, reaching the full statutory blended rate of 25 percent in FY-2031. This schedule reflects three forces: (i) the gradual burn-off of the NOL stock, (ii) the statutory 80-percent limitation, and (iii) the run-off of R&D credits.

Scenario Definitions (Bull, Base, Bear)

In addition to the Base case, symmetric Bull and Bear cases that capture upside and downside scenarios are forecasted.

Bull case: Upside rests on faster cross-sell of Identity Governance and PAM as well as a macro backdrop in which real rates drift lower. Subscription growth therefore tracks two percentage points above Base each year; professional-services revenue rises half a point in sympathy but remains small. COGS are forecasted 0.5 percent and 0.25 percent lower for subscription and professional services. SBC efficiency improves more quickly, ending at 10 percent of revenue, while D&A and

capex are only slightly adjusted. The bull case assumes a change in net-working capital of 90 percent in comparison to the base case.

Bear case: Downside envisages sluggish macro spend and delayed cross-sell adoption. Subscription revenue growth is two percentage points below Base each year. The other metrics are forecasted symmetric to the bull case and for the bear case, a change in net-working capital is assumed of 110 percent in comparison to the base case.

3.2. Valuation Methodologies

Having established a fully integrated operating forecast, the analysis now turns to the question of what that stream of cash flows is worth in today's terms. No single yard-stick can capture all facets of value, particularly for a high-growth, stock-compensated SaaS firm whose future depends as much on market sentiment as on discounted cash flow.

The chapter begins with a DCF that converts the forecasts into un-levered free-cash-flows, discounts them at a scenario-specific weighted-average cost of capital and assigns continuing value via a Gordon–Shapiro perpetuity that respects the long-run constraint that growth must not exceed the risk-free rate. It then benchmarks the resulting equity value against the multiples investors currently pay for the closest public peers. Finally, it examines four recent take-private and strategic acquisitions in identity software, distils the enterprise-value-to-revenue and enterprise-value-to-ARR terms those buyers were willing to pay, and applies those benchmarks to Okta's scale and growth profile.

3.2.1. Discounted-Cash-Flow (DCF) Valuation

To conduct a DCF Valuation, it is necessary to first calculate the un-levered free-cash-flows (*Table 5*). To derive the un-levered free-cash-flows (UFCFs) we begin at the very top of Okta's income statement. Revenue is first converted into gross profit by subtracting the cost of subscription hosting, support salaries, and professional-services delivery. Operating expenses: R&D, sales and marketing, and G&A are then deducted, yielding GAAP operating income. Applying the forecast cash tax rate (which differs from the GAAP provision because of Okta's large NOL shield) converts that profit into Net Operating Profit After Tax (NOPAT), the after-tax earnings generated purely by operations, before any financing effects.

NOPAT is next reconciled to cash. We add back depreciation and amortisation, because they lowered GAAP income without consuming cash, and we likewise re-add stock-based compensation, which is not a cash outflow. From this subtotal we subtract two items that do drain cash: capital expenditures needed to keep the platform running and the change in operating working capital. The result is un-levered free-cash-flow, the stream of cash generated by the business before interest payments and independent of capital-structure choices, used in the discounted-cash-flow valuation that follows.

WACC Derivation

The next step is to calculate the weighted-average cost of capital (WACC) for Okta (*Table 6*). The WACC represents the opportunity cost borne by all providers of long-term finance, equity and debt. In algebraic terms:

$$WACC = w_E \times (R_f + \beta_L MRP) + w_D \times R_D \times (1 - T)$$

where the terms denote, respectively, the market weights of equity and debt, the risk-free rate, the levered beta of Okta's equity, the equity-risk premium, the pre-tax cost of debt, and the statutory cash-tax rate. Management has repeatedly stated that it intends to remain net-cash, but US \$1.16 billion of 0.125 percent convertible notes maturing in 2026 still appear on the balance sheet. Those convertible notes are however economically nearer to equity than to senior borrowing. To illustrate a more mature capital mix, the target capital structure is conservatively set at 95 percent equity and 5 percent straight-debt.

The risk-free rate is the 10-year U.S. Treasury yield of 4.23 percent on 1 May 2025 (Federal Reserve Bank of St Louis 2025). The analysis adopts a 4.33-percent implied U.S. equity-risk premium calculated by Damodaran from contemporaneous Treasury yields and S&P 500 index levels in January 2025, an approach that adjusts dynamically to market conditions (Damodaran 2025).

In the next step Okta's levered beta is estimated by employing a peer-average method. The 5-Year monthly Equity Betas, market capitalisation, debt, net debt as well as the statutory tax rate from the industry peers Clear Secure, Cloudflare, CrowdStrike, Cyberark Software, Palo Alto Networks and Zscaler are sourced from LSEG Data & Analytics. The raw levered betas are first *un-levered* with the Hamada transformation¹, using net debt (capped at zero for net-cash peers) so that the excess liquidity is treated as risk-free. Since all of the peer companies however are net cash, the levered betas equal the unlevered beta.

Because Cloudflare's unlevered beta is a strong outlier with 1.75, it is excluded in the further calculations. The un-levered betas of the other industry peers cluster narrowly around unity; their

¹ $\beta_{U,i} = \frac{\beta_{L,i}}{1+(1-T)\times\frac{D}{E}}$

beta median is $\beta_U = 1.04$. Re-levering² the peer industry beta at Okta's 95 / 5 target Equity/Debt structure produces a levered beta of 1.077.

In the next step the cost of equity is calculated. Thus, the previous inputs are substituted into the Capital-Asset-Pricing Model³, which then yields a cost of equity of 8.89 percent ($4.23\% + 1.077 \times 4.33\%$).

In the next step the cost of debt is evaluated. Because the coupon on Okta's convertible options chiefly compensates investors for an embedded call option, the straight-debt yield is proxied by adding the 160-basis-point option-adjusted spread on the ICE BofA BB U.S. Corporate Index (1 May 2025) to the ten-year Treasury yield of 4.23 percent, giving a 5.83 percent pre-tax cost of debt. The pre-tax cost of debt is benchmarked to the ICE BofA BB U.S. Corporate Index option-adjusted spread because that series most closely approximates the price at which a lender would fund Okta on a new, unsecured note today. After deducting the 25 percent tax shield from the cost of debt the after-tax cost of debt⁴ falls to 4.37 percent.

Applying the Okta's target capital structure weights $w_E = 0.95$ and $w_D = 0.05$ to the components gives:

$$WACC = 0.95 \times 8.89\% + 0.05 \times 5.83\% = 8.67\%$$

DCF Mechanics and Stub Period

The valuation date for this thesis is May 1, 2025, which falls three months into Okta's fiscal year that ends on 31 January 2026. If a standard year-end DCF were applied without adjustment, the

² $\beta_{L,target} = \beta_{U,industry} \left[1 + (1 - T) \times \frac{D}{E_{target}} \right]$

³ $R_E = R_f + \beta_L \times ERP$

⁴ $R_{D,after-tax} = R_{D,pre-tax} \times (1 - T)$

model would discount the FY-2026 cash flow as though it were received a full twelve months in the future, even though only nine months actually remain. To correct that timing mismatch and to avoid overstating the discounting drag the correct timing exponent for the first cash flow is therefore set as

$$t = \frac{\text{months remaining in FY}}{12} = 0.75$$

All subsequent exponents are spaced at annual intervals: 1.75, 2.75 ... 5.75.

The present value of each un-levered free-cash-flow (UFCF) is then computed as:

$$PV_t = \frac{UFCF_t}{(1 + WACC)^t}$$

With for example $t = 0.75$ for the FY-2026 cash-flow.

Terminal-Value Calculation

Because Okta is assumed to have reached a steady state by the end of FY31 the explicit forecast horizon ends there, yet most of Okta's economic life lies beyond that point. To capture those distant cash flows, the terminal value (TV) is estimated with the Gordon–Shapiro perpetuity. The method capitalises the first free-cash-flow generated after the final explicit period at a constant growth rate that is permanently sustainable and strictly lower than the discount rate. Formally, the terminal value at the end of FY 2031 is

$$TV_{2031} = \frac{UFCF_{2031} \times (1 + g)}{WACC - g}$$

The Congressional Budget Office projects U.S. nominal GDP to grow at 3.7 percent a year over the next three decades (CBO 2025). Setting g at 2.5 percent embeds a margin of roughly 120 basis points below the macro baseline and is a reasonable value for a mature, cash-generative software

firm, remaining conservative relative to Gartner’s forecast that the global IAM market will continue to expand at 4–5 percent through 2030 (Gartner 2024). The TV is then discounted with the same timing logic. The final explicit period ends at $t = 5.75$ (FY31).

DCF Result

Discounting the six years of explicit un-levered free cash flow (FY-2026 – 31) at the scenario-specific WACC yields present values of US \$5.7 billion in the Base case, US \$6.6 billion in the Bull case and US \$5 billion in the Bear case (*Table 7*). Adding the present value of the TV of each scenario, raises the totals to enterprise values of US \$19.9 billion (Base), US \$23.5 billion (Bull) and US \$17.2 billion (Bear).

To translate enterprise value into equity value the model includes Okta’s FY-2025 net debt of US \$1.665 billion, producing equity values of US \$21.6 billion, US \$25.2 billion and US \$18.9 billion, respectively. Dividing by the 175 million fully diluted shares yields implied intrinsic prices of US \$123.28 (Base), US \$143.72 (Bull) and US \$108.10 (Bear) per share.

Because no single scenario can capture the full distribution of operating outcomes, the three valuations are probability-weighted, assigning 50 percent weight to the Base case and 25 percent each to the Bull and Bear cases. The scenario weights reflect a probability assessment grounded in both management guidance and sector history. The Base case receives 50 percent because its revenue-growth cadence and margin trajectory mirror management’s formal outlook; it is therefore judged the “most likely” path. The Bull and Bear cases bracket that central forecast with symmetric upside and downside macro-operating bundles, but each is considered less probable, hence the 25 percent weight assigned to each. Using a 50-/25-/25-split preserves balance by giving full value to plausible extremes while still anchoring the valuation to the scenario the evidence suggests is most representative of future performance.

Applying the weights gives a composite intrinsic value of US \$124.60, which is 11.4 percent higher than Okta's closing stock price on May 1.

3.2.2. Trading-Comparable Analysis

A valid trading-comparable analysis begins with peers that mirror the subject company in revenue model, addressable market and operating maturity. Okta earns more than ninety-eight per cent of its top line from cloud-delivered subscriptions that solve identity and related security problems. Six listed companies exhibit the same economic profile and therefore form the reference group: Clear Secure, CyberArk, Zscaler, Cloudflare, CrowdStrike and Palo Alto Networks. While Clear Secure, CyberArk and Zscaler, as pure-play identity or access-control SaaS, have the closest product overlap with Okta; the other companies also operate in the broader security SaaS market. Larger conglomerates such as Microsoft or Amazon are excluded because identity represents an immaterial share of consolidated revenue and would distort the multiples. All market data were taken from LSEG Data & Analytics and are as of 1 May, 2025.

Applying Peer Multiples to Okta

In high-growth SaaS businesses like Okta and its peers, earnings before interest, taxes, depreciation and amortisation are still depressed and net income is often negative. As a result, valuation practice centres on revenue- and gross-profit-based multiples (*Table 8*). Using both trailing-twelve-month and next-twelve-month denominators EV/TTM revenue and EV/NTM revenue offers a historical anchor and a forward view. The EV/TTM revenue median is 15.4x and for EV/NTM revenue it is 11.8x.

Moving one layer down the income statement to EV/TTM and EV/NTM gross profit, which controls for differences in hosting and support costs: Zscaler, for example, converts around 80 percent of revenue to gross profit, whereas Clear Secure sits in the mid-seventies (Refinitiv 2025). Gross-profit multiples therefore standardise valuation across vendors with heterogeneous infrastructure intensity. The EV/TTM Gross Profit median is 20.3x and for EV/NTM Gross Profit it is 14.7x.

Finally, a “Price/Earnings-to-Growth” (PEG) style ratio is used, which relies on revenue rather than on earnings. The growth-adjusted revenue multiple⁵, EV/NTM revenue divided by NTM revenue growth, normalises absolute valuation against forward momentum and thus restores linearity between price and fundamentals when comparing firms at very different growth rates. The median value for this ratio is 0.6x.

Applying the peer multiples such as EV/NTM revenue or EV/NTM gross profit to Okta produces share-prices estimates that sit far above the company’s actual quotation because those multiples embed the growth and risk profile of faster-expanding vendors like CrowdStrike and Zscaler. The median company in the peer set is expected to grow revenue 18 – 20 percent over the next twelve months, whereas Okta is guiding to 9 – 10 percent. When an 11.8 × EV/NTM revenue multiple, appropriate for a high-teens grower, is simply mapped onto Okta’s lower growth base, the arithmetic ignores the fundamental mismatch and mechanically inflates enterprise value. The same distortion appears in the gross-profit multiples.

The growth-adjusted revenue multiple corrects this bias by dividing each firm’s EV/NTM revenue by its own NTM growth rate. When the peer-median growth-adjusted multiple of 0.6 is applied to

⁵ Growth-adjusted Revenue Multiple = $\frac{\text{Enterprise Value}}{\text{NTM Revenue}} \div \text{NTM Revenue Growth (\%)}$

Okta, the resulting valuation of US \$114.02 aligns closely with the market price (2 percent lower than the closing share price on May 1) because it implicitly recognises that investors pay fewer turns of revenue for each point of growth when the underlying cadence is slowing.

3.2.3. Transaction-Comparable Analysis

Whereas trading multiples reflect the pricing of minority interests in listed shares, transaction comparables reveal what strategic buyers and private-equity sponsors have been willing to pay for full control of identity-software assets. Recent years supply a sample of four sizeable identity vendors acquisitions (*Table 9*).

Relevant M&A Deals

Relevant transactions were: Thoma Bravo's acquisitions of Ping Identity in August 2022, SailPoint in April 2022 and ForgeRock in October 2022 and Okta's own all-stock purchase of Auth0 announced in March 2022. Deal metrics are drawn from the closing announcements and financial estimates. Since Okta does not reported annual-recurring-revenue (ARR), the value is estimated by multiplying Oktas last quarter subscription revenue (US \$672 million) times 4 which results in an estimated ARR of US \$2.7 billion.

Ping Identity was apparently taken private for an enterprise value of US \$2.8 billion, or $9.4 \times$ revenue and $8.2 \times$ ARR (Thoma Bravo 2022). SailPoint commanded a richer $15.7 \times$ revenue and $18.6 \times$ ARR on its US \$6.9 billion sale to the same sponsor (BusinessWire 2022). ForgeRock cleared at $10.0 \times$ ARR and $10.6 \times$ revenue, (ForgeRock 2023). Okta's stock-for-stock acquisition of Auth0 priced the target at US \$6.5 billion, equivalent to $32 \times$ trailing revenue, a multiple treble SailPoint's, because Auth0 was posting 55 percent growth and had just broken the US \$200 million

ARR threshold (Miller 2021). Although the Auth0 deal is a strategic bolt-on rather than a financial control transaction, its valuation still marks the high-growth ceiling for identity assets.

The three sponsor deals yield a median control multiple of $13.1 \times$ revenue and $14.3 \times$ ARR. Applying the former to Okta's revenue of US \$2.61 billion implies an enterprise value of US \$34.3 billion; adding the net debt produces an equity value of US \$36 billion, or US \$205.48 per diluted share. Applying the $14.3 \times$ ARR to Okta would result in an enterprise value of US \$38.5 billion, Equity Value of US \$40.2 billion and US \$229.40 per diluted share.

The different valuation, compared to the current market price of Okta, is probably driven through the higher interest rate environment in contrast to 2022 and the fact that sponsors are willing to pay a control premium.

4. Conclusion

This thesis set out to determine a defensible intrinsic value for Okta, Inc., by triangulating three complementary approaches: a discounted-cash-flow model anchored in detailed operating forecasts, a trading-comparable analysis and a control-premium benchmark drawn from four recent identity-software acquisitions. The DCF yields a scenario-weighted value of US \$124.60 per share. Minority-interest comparables, when adjusted for Okta's slower near-term growth, had a median value of US \$114.02 per share. The precedent-transaction screen ultimately proved unhelpful as a valuation anchor because those take-private deals embedded substantial control and synergy premia, transplanting their multiples wholesale would over-state Okta's stand-alone intrinsic worth. A similar distortion arises with most of the trading-comparable ratios: simple EV/Revenue and EV/Gross-Profit multiples capitalise the faster 18–20 percent growth of Okta's peers. The only peer metric that normalises for that differential is the growth-adjusted revenue multiple, producing

an implied share price that converges on the intrinsic range generated by the discounted-cash-flow model.

For these reasons the analysis weights just two markers, the scenario-weighted DCF and the growth-adjusted multiple, when framing the valuation conclusion. Their alignment and the resulting market capitalisation is visualised in a football-field chart (*Table 10*).

To arrive at a single point estimate the two valuation anchors were blended rather than choosing one and discarding the other. The discounted-cash-flow model receives the heavier weight 60 percent, because it traces value back to Okta's own cash-generation prospects: revenue cadence, margin expansion and capital intensity are all explicit and auditable parameters, making the DCF the most defensible measure of intrinsic worth. The remaining 40 percent is assigned to the growth-adjusted revenue multiple, the only market-based ratio that neutralises the peer set's faster expansion and therefore provides a clean, real-time price signal. Applying those weights to the underlying indications, US \$124.60 per share from the scenario-weighted DCF and US \$114.02 per share from the growth-adjusted multiple, yields a blended intrinsic value of **US \$120.37 per share**. This composite figure is 8% higher than the closing share price of Okta on May 1, 2025. Using the blended intrinsic value per share results in a market capitalization of US \$ 21.08 billion. When taking Okta's net debt into account we arrive at an Enterprise Value of US \$ 19.42 billion.

Appendices

Disclaimer: All figures are in USD unless otherwise stated; share quantities are shown in units.

Sections of this work project were paraphrased with the assistance of OpenAI's ChatGPT language model.

Financial statements of Okta

Okta Income Statement (Year Ended January 31)							
<i>(dollars in millions, shares in thousands, except per share data)</i>	2019	2020	2021	2022	2023	2024	2025
Revenue							
Subscription	\$ 371	\$ 553	\$ 797	\$ 1,249	\$ 1,794	\$ 2,205	\$ 2,556
Professional services and other	28	33	39	51	64	58	54
Total revenue	399	586	835	1,300	1,858	2,263	2,610
Cost of revenue							
Subscription	77	116	170	329	464	502	549
Professional services and other	36	43	48	67	82	79	69
Total cost of revenue	113	159	218	396	546	581	618
Gross profit	286	427	618	904	1,312	1,682	1,992
Operating expenses							
Research and development	102	159	223	469	620	656	642
Sales and marketing	228	340	427	771	1,066	1,036	965
General and administrative	75	113	172	432	409	450	448
Restructuring and other charges	-	-	-	-	29	56	11
Total operating expenses	405	613	822	1,672	2,124	2,198	2,066
Operating loss	(120)	(186)	(204)	(768)	(812)	(516)	(74)
Interest expense	(15)	(27)	(73)	(91)	(11)	(8)	(5)
Interest income and other, net	9	17	13	9	22	81	106
Gain on early extinguishment of debt	-	(14.57)	(2.26)	-	-	106	19
Interest and other, net	(6)	(25)	(62)	(82)	11	179	120
Income (loss) before provision for income taxes	(126)	(210)	(266)	(850)	(801)	(337)	46
Provision for income taxes	(0)	(1)	0	(2)	14	18	18
Net income (loss)	\$ (125)	\$ (209)	\$ (266)	\$ (848)	\$ (815)	\$ (355)	\$ 28
Net income (loss) per share, basic	\$ (1.17)	\$ (1.78)	\$ (2.09)	\$ (5.73)	\$ (5.16)	\$ (2.17)	\$ 0.16
Net income (loss) per share, diluted	\$ (1.17)	\$ (1.78)	\$ (2.09)	\$ (5.73)	\$ (5.16)	\$ (2.17)	\$ 0.06
Weighted-average shares, basic	107,504	117,221	127,212	148,036	158,023	163,634	169,569
Weighted-average shares, diluted	107,504	117,221	127,212	148,036	158,023	163,634	175,086

Source: Okta 10k FY25

Okta Consolidated Balance Sheets (Year Ended January 31)

<i>(dollars in millions, shares in thousands, except per share data)</i>	2019	2020	2021	2022	2023	2024	2025
Assets							
Current assets:							
Cash and cash equivalents	\$ 298	\$ 520	\$ 435	\$ 260	\$ 264	\$ 334	\$ 409
Short-term investments	265	883	2,122	2,242	2,316	1,868	2,114
Accounts receivable, net	92	130	195	398	481	559	621
Deferred commissions	24	34	46	75	92	113	140
Prepaid expenses and other current assets	28	33	82	67	76	106	132
Total current assets	708	1,600	2,879	3,041	3,229	2,980	3,416
Property and equipment, net	53	54	63	65	59	48	43
Operating lease right-of-use assets	121	125	150	148	122	83	74
Deferred commissions, noncurrent	55	78	109	191	210	242	267
Intangible assets, net	14	33	27	317	241	182	138
Goodwill	18	48	48	5,401	5,400	5,406	5,448
Other assets	15	19	24	42	46	48	51
Total assets	\$ 984	\$ 1,955	\$ 3,299	\$ 9,206	\$ 9,307	\$ 8,989	\$ 9,437
Liabilities and stockholders' equity							
Current liabilities:							
Accounts payable	\$ 2	\$ 4	\$ 9	\$ 20	\$ 12	\$ 12	\$ 13
Accrued expenses and other current liabilities	34	37	54	89	112	115	103
Accrued compensation	20	40	72	144	99	167	207
Convertible senior notes, net	272	101	909	16	-	-	509
Deferred revenue	246	365	503	973	1,242	1,488	1,691
Total current liabilities	573	547	1,546	1,243	1,465	1,782	2,523
Convertible senior notes, net, noncurrent	0	837	857	1,816	2,193	1,154	349
Operating lease liabilities, noncurrent	147	155	180	171	142	112	94
Deferred revenue, noncurrent	9	6	11	23	18	23	27
Other liabilities, noncurrent	3	5	11	32	23	30	39
Total liabilities	732	1,550	2,605	3,284	3,841	3,101	3,032
Stockholders' equity:							
Preferred stock, par value \$0.0001	-	-	-	-	-	-	-
Class A common stock, par value \$0.0001 per share;	10	11	12	15	-	-	-
Class B common stock, par value \$0.0001 per share	1	1	1	1	-	-	-
Additional paid-in capital	745	1,106	1,656	7,750	7,974	8,724	9,219
Accumulated other comprehensive loss	0	1	5	(12)	(33)	(6)	(12)
Accumulated deficit	(492)	(701)	(967)	(1,816)	(2,475)	(2,830)	(2,802)
Total stockholders' equity	252	405	694	5,922	5,466	5,888	6,405
Total liabilities and stockholders' equity	\$ 984	\$ 1,955	\$ 3,299	\$ 9,206	\$ 9,307	\$ 8,989	\$ 9,437

Source: Okta 10k FY25

Okta Consolidated Statements of Cash Flows (Year Ended January 31)

<i>(in millions)</i>	2019	2020	2021	2022	2023	2024	2025
Cash flows from operating activities:							
Net income (loss)	\$ (125)	\$ (209)	\$ (266)	\$ (848)	\$ (815)	\$ (355)	\$ 28
Adjustments to reconcile net income (loss) to net cash provided by operating activities:							
Stock-based compensation	76	127	196	566	677	684	565
Depreciation, amortization and accretion	8	18	37	108	114	84	88
Amortization of debt issuance costs	14	26	68	86	-	-	-
Amortization of deferred commissions	21	29	40	57	84	104	130
Deferred income taxes	(1)	(2)	(1)	(6)	7	6	2
Non-cash charitable contributions	1,008	1,746	9	-	-	-	-
Lease impairment charges	0	0	0	-	14	28	-
Gain on early extinguishment of debt	-	14.57	2.26	-	-	(106)	(19)
Net gain on strategic investments	-	-	-	(8)	(1)	-	-
Other, net	1	-	6	9	12	13	9
Changes in operating assets and liabilities:							
Accounts receivable	(40)	(38)	(66)	(175)	(87)	(79)	(63)
Deferred commissions	(41)	(61)	(81)	(171)	(122)	(158)	(186)
Prepaid expenses and other assets	(10)	(4)	(13)	(7)	(13)	(32)	(37)
Operating lease right-of-use assets	17	13	19	23	27	23	20
Accounts payable	(1)	2	4	7	(6)	-	1
Accrued compensation	7	23	44	50	(44)	68	41
Accrued expenses and other liabilities	6	10	6	21	8	21	(3)
Operating lease liabilities	(7)	(10)	(17)	(24)	(34)	(39)	(33)
Deferred revenue	89	116	142	416	264	250	207
Net cash provided by operating activities	15	56	128	104	86	512	750
Cash flows from investing activities:							
Capitalized software	(3)	(4)	(4)	(4)	(9)	(15)	(12)
Purchases of property and equipment	(20)	(15)	(13)	(13)	(12)	(8)	(8)
Purchases of securities available-for-sale and other	(631)	(999)	(2,029)	(1,847)	(1,411)	(1,709)	(1,812)
Proceeds from maturities and redemption of securities available-for-sale	299	356	535	1,482	1,308	2,134	1,571
Proceeds from sales of securities available-for-sale and other	173	27	206	230	-	62	3
Payments for business acquisitions, net of cash acquired	(16)	(44)	-	(215)	(4)	(22)	(56)
Purchases of intangible assets	-	(9)	-	-	(2)	(1)	-
Net cash provided by (used in) investing activities	(197)	(688)	(1,305)	(367)	(130)	441	(314)
Cash flows from financing activities:							
Proceeds from issuance of convertible senior notes, net of issuance costs	335	1,041	1,135	-	-	-	-
Payments for repurchases of convertible senior notes	-	(224)	-	-	-	(937)	(280)
Taxes paid related to net share settlement of equity awards	-	-	-	-	-	-	(148)
Purchases of hedges related to convertible senior notes	(80)	-	-	-	-	-	-
Proceeds from hedges related to convertible senior notes	-	406	195	-	-	-	-
Proceeds from issuance of warrants related to convertible senior notes	52	-	-	-	-	-	-
Payments for warrants related to convertible senior notes	-	(359)	(175)	-	-	(7)	-
Purchases of capped calls related to convertible senior notes	-	(74)	(134)	-	-	-	-
Proceeds from stock option exercises	37	45	46	53	17	15	27
Proceeds from shares issued in connection with employee stock purchase plan	14	19	26	36	31	46	42
Net cash provided by (used in) financing activities	358	853	1,092	89	48	(883)	(359)
Effects of changes in foreign currency exchange rates	-	-	2	(2)	(6)	1	(4)
Net increase (decrease) in cash, cash equivalents and restricted cash	175	221	(83)	(176)	(2)	71	73
Cash, cash equivalents and restricted cash at beginning of year	136	311	532	449	273	271	342
Cash, cash equivalents and restricted cash at end of year	\$ 311	\$ 532	\$ 449	\$ 273	\$ 271	\$ 342	\$ 415

Source: Okta 10k FY25

Table 1: Key Business Metrics

Key Business Metrics			
(dollars in millions)	2023	2024	2025
Number of total customers	17,600	18,950	19,650
Customers with annual contract value above \$100,000	3,930	4,485	4,800
Dollar-based net retention rate for the trailing 12 months ended	120%	111%	107%
Current remaining performance obligations	\$ 1,684	\$ 1,952	\$ 2,248
Remaining performance obligations	\$ 3,007	\$ 3,385	\$ 4,215

Source: Okta 10k FY25

Table 2: Financial Forecast

Financial Forecast (in millions)							
Revenue	2025A	2026E	2027E	2028E	2029E	2030E	2031E
Subscription	2,556	2,798	3,022	3,234	3,428	3,599	3,743
% growth, Base	15.9%	9.5%	8.0%	7.0%	6.0%	5.0%	4.0%
% growth, Bull		11.5%	10.0%	9.0%	8.0%	7.0%	6.0%
% growth, Bear		7.5%	6.0%	5.0%	4.0%	3.0%	2.0%
% of total sales	97.9%	98.0%	98.0%	98.0%	98.0%	98.0%	98.0%
Professional services and other	54	56	60	65	69	72	75
% of Subscription Revenue, Base	2.1%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
% of Subscription Revenue, Bull		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
% of Subscription Revenue, Bear		1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
% growth, Base	(6.9%)	3.6%	8.0%	7.0%	6.0%	5.0%	4.0%
Total Revenue	2,610	2,854	3,083	3,298	3,496	3,671	3,818
% growth	15.3%	9.4%	8.0%	7.0%	6.0%	5.0%	4.0%
Cost of Revenue	2025A	2026E	2027E	2028E	2029E	2030E	2031E
Subscription	549	599	632	660	699	734	764
% of total sales, Base	21.0%	21.0%	20.5%	20.0%	20.0%	20.0%	20.0%
% of total sales, Bull		20.5%	20.0%	19.5%	19.5%	19.5%	19.5%
% of total sales, Bear		21.5%	21.0%	20.5%	20.5%	20.5%	20.5%
Professional services and other	69	71	77	82	87	92	95
% of total sales, Base	2.6%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
% of total sales, Bull		2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
% of total sales, Bear		2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Total Cost of Revenue	618	671	709	742	787	826	859
% growth	6.4%	8.5%	5.7%	4.7%	6.0%	5.0%	4.0%
Gross Profit	2025A	2026E	2027E	2028E	2029E	2030E	2031E
Subscription	2,007	2,199	2,390	2,574	2,728	2,865	2,979
% of total sales	76.9%	77.0%	77.5%	78.0%	78.0%	78.0%	78.0%
Professional services and other	(15)	(15)	(17)	(18)	(19)	(20)	(21)
% of total sales	(0.6%)	(0.5%)	(0.5%)	(0.5%)	(0.5%)	(0.5%)	(0.5%)
Total Gross Profit	1,992	2,183	2,374	2,556	2,710	2,845	2,959
% growth	18.4%	9.6%	8.7%	7.7%	6.0%	5.0%	4.0%
Gross Profit Margin	2025A	2026E	2027E	2028E	2029E	2030E	2031E
Subscription	78.5%	78.6%	79.1%	79.6%	79.6%	79.6%	79.6%
Professional services and other	(27.8%)	(27.5%)	(27.5%)	(27.5%)	(27.5%)	(27.5%)	(27.5%)
Total Gross Profit Margin	76.3%	76.5%	77.0%	77.5%	77.5%	77.5%	77.5%
% growth	2.7%	0.2%	0.7%	0.6%	0.0%	0.0%	0.0%

Difference FY25-FY31: (4.9%)

Difference FY25-FY31: (5.4%)

Difference FY25-FY31: 1.5%

Operating Expenses	2025A	2026E	2027E	2028E	2029E	2030E	2031E	
Research and development	642	631	647	660	664	661	649	
% of total sales, Base	24.6%	22.1%	21.0%	20.0%	19.0%	18.0%	17.0%	Difference FY25-FY31: (30.9%)
% of total sales, Bull		21.1%	20.0%	19.0%	18.0%	17.0%	16.0%	
% of total sales, Bear		23.1%	22.0%	21.0%	20.0%	19.0%	18.0%	
Sales and marketing	965	1,028	1,048	1,055	1,084	1,138	1,145	
% of total sales, Base	37.0%	36.0%	34.0%	32.0%	31.0%	31.0%	30.0%	Difference FY25-FY31: (18.9%)
% of total sales, Bull		34.0%	32.0%	30.0%	29.0%	29.0%	28.0%	
% of total sales, Bear		37.0%	35.0%	33.0%	32.0%	32.0%	32.0%	
General and administrative	448	428	416	396	367	349	344	
% of total sales, Base	17.2%	15.0%	13.5%	12.0%	10.5%	9.5%	9.0%	Difference FY25-FY31: (47.6%)
% of total sales, Bull		14.5%	13.0%	11.5%	10.0%	9.0%	8.5%	
% of total sales, Bear		15.5%	14.0%	12.5%	11.0%	10.0%	10.0%	
Restructuring and other charges	11	0	0	0	0	0	0	
% of total sales, Base	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
% of total sales, Bull		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
% of total sales, Bear		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Total Operating Expenses	2,066	2,086	2,112	2,111	2,115	2,148	2,138	
% growth	-6.0%	1.0%	1.2%	0.0%	0.2%	1.5%	-0.4%	

Operating Income	2025A	2026E	2027E	2028E	2029E	2030E	2031E
Operating Income	(74)	97	262	445	594	697	821
Operating Margin	(3%)	3%	9%	14%	17%	19%	22%

Tax Rate	2025A	2026E	2027E	2028E	2029E	2030E	2031E
Tax Rate, Base	39.1%	0.0%	5.0%	10.0%	15.0%	20.0%	25.0%
Tax Rate, Bull		0.0%	0.0%	5.0%	10.0%	15.0%	20.0%
Tax Rate, Bear		0.0%	10.0%	15.0%	20.0%	25.0%	25.0%

Cash Flow Items	2025A	2026E	2027E	2028E	2029E	2030E	2031E	
D&A								
Depreciation, amortization and accretion	88	88	92	96	98	99	103	
% of total sales, Base	3.4%	3.1%	3.0%	2.9%	2.8%	2.7%	2.7%	Difference FY25-FY31: (19.9%)
% of total sales, Bull		2.9%	2.8%	2.7%	2.6%	2.5%	2.5%	
% of total sales, Bear		3.3%	3.2%	3.1%	3.0%	2.9%	2.9%	
Amortization of deferred commissions	130	143	154	165	175	184	191	
% of total sales, Base	5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	Difference FY25-FY31: 0.0%
% of total sales, Bull		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	
% of total sales, Bear		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	
Total D&A	218	231	247	261	273	283	294	
% of total sales, Base	8.4%	8.1%	8.0%	7.9%	7.8%	7.7%	7.7%	
% of total sales, Bull		7.9%	7.8%	7.7%	7.6%	7.5%	7.5%	
% of total sales, Bear		8.3%	8.2%	8.1%	8.0%	7.9%	7.9%	

CapEx	2025A	2026E	2027E	2028E	2029E	2030E	2031E	
Total CapEx	20	23	22	23	21	22	23	
% of total sales, Base	0.8%	0.8%	0.7%	0.7%	0.6%	0.6%	0.6%	Difference FY25-FY31: (21.7%)
% of total sales, Bull		0.7%	0.6%	0.6%	0.5%	0.5%	0.5%	
% of total sales, Bear		0.9%	0.8%	0.8%	0.7%	0.7%	0.7%	

Stock-based Compensation	2025A	2026E	2027E	2028E	2029E	2030E	2031E	
Stock-based Compensation	565	571	555	528	489	441	458	
% of total sales, Base	21.6%	20.0%	18.0%	16.0%	14.0%	12.0%	12.0%	Difference FY25-FY31: (44.6%)
% of total sales, Bull		18.0%	16.0%	14.0%	12.0%	10.0%	10.0%	
% of total sales, Bear		22.0%	20.0%	18.0%	16.0%	14.0%	14.0%	

Table 3: Stock-based Compensation

Stock-based Compensation							
(dollars in millions)	2019	2020	2021	2022	2023	2024	2025
Cost of subscription revenue	\$ 8	\$ 13	\$ 22	\$ 49	\$ 69	\$ 75	\$ 82
Cost of professional services and other revenue	5	7	8	12	14	15	12
Research and development	23	38	63	193	275	277	216
Sales and marketing	23	38	54	136	159	156	131
General and administrative	18	31	49	175	160	161	124
Total stock-based compensation expense	\$ 76	\$ 127	\$ 196	\$ 565	\$ 677	\$ 684	\$ 565

Table 4: Net-Working Capital Forecast

Net-Working Capital Forecast							
(in millions)	2025A	2026E	2027E	2028E	2029E	2030E	2031E
Assumptions							
Days Sales Outstanding	82	80	78	78	77	76	75
Days Payable Outstanding	7	7	7	7	7	7	7
Accounts receivable, net	621	626	659	705	738	764	784
% of total sales	23.8%	21.9%	21.4%	21.4%	21.1%	20.8%	20.5%
DSO	82	80	78	78	77	76	75
Prepaid expenses and other current assets	132	143	154	165	175	184	191
% of total sales	5.1%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Operating current assets	753	768	813	870	912	948	975
% of total sales	28.9%	26.9%	26.4%	26.4%	26.1%	25.8%	25.5%
Accounts payable	13	13	14	14	15	16	16
% of Cost of Revenue	2.1%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
DPO	7	7	7	7	7	7	7
Accrued compensation	207	228	247	264	280	294	305
% of total sales	7.9%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Accrued expenses and other current liabilities	103	143	154	165	175	184	191
% of total sales	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Deferred revenue	1,691	1,850	1,979	2,063	2,129	2,176	2,224
% of next year revenue	59.2%	60.0%	60.0%	59.0%	58.0%	57.0%	56.0%
Operating current liabilities	2,014	2,233	2,393	2,506	2,599	2,669	2,736
% of total sales	77.2%	78.3%	77.6%	76.0%	74.3%	72.7%	71.7%
NWC	(1,261)	(1,465)	(1,580)	(1,636)	(1,686)	(1,721)	(1,761)
Δ NWC	(144)	(204)	(115)	(56)	(50)	(35)	(40)
% of total sales	(5.5%)	(7.2%)	(3.7%)	(1.7%)	(1.4%)	(1.0%)	(1.0%)

Scenarios

% Δ NWC, Base	100%
% Δ NWC, Bull	90%
% Δ NWC, Bear	110%

Table 5: WACC Calculation

WACC	
Cost of Equity	8.89%
Risk Free Rate (01/05/25)	4.23%
U.S. equity-risk premium	4.33%
Re-Levered Beta	1.077
% Equity Target	95.0%
Cost of Debt	5.83%
Statutory tax rate	25.00%
After Tax Cost of Debt	4.37%
% Debt Target	5.0%
WACC	8.67%

Peer Betas										
Ticker	Company	5-yr Monthly Equity Beta	Market Cap	Debt	Net Debt	D/E	Net-debt / Equity (cap at 0)	Statutory (marginal) Tax rate	Unlevered Beta	
YOU	Clear Secure Inc	1.25	3,349	0	(609)	0.00	0.00	26.30%	1.25	
NET	Cloudflare Inc	1.75	43,052	1,287	(569)	0.03	0.00	25.00%	1.75	
CRWD	CrowdStrike Holdings Inc	1.16	109,208	744	(3,579)	0.01	0.00	21.00%	1.16	
CYBR	Cyberark Software Ltd	0.99	17,671	0	(820)	0.00	0.00	23.00%	0.99	
PANWO	Palo Alto Networks Inc	0.99	124,276	964	(1,615)	0.01	0.00	25.00%	0.99	
ZS	Zscaler Inc	1.04	35,659	1,142	(1,267)	0.03	0.00	25.00%	1.04	
OKTA	Okta Inc	1.04	19,600	858	(1,665)	0.04	0.00	25.00%	1.04	

Source: LSEG Data & Analytics all companies are net cash

Industry Median Unlevered Beta (excl. Okta & Cloudflare)	1.04
Industry Median Re-Levered Beta (5% Debt)	1.077

Table 6: Unlevered Free-Cash-Flow Forecast

UFCF Forecast							
<i>(dollars in millions)</i>	2025A	2026E	2027E	2028E	2029E	2030E	2031E
Total Revenue	2,610	2,854	3,083	3,298	3,496	3,671	3,818
Subscription	2,556	2,798	3,022	3,234	3,428	3,599	3,743
<i>% growth</i>	<i>15.9%</i>	<i>9.5%</i>	<i>8.0%</i>	<i>7.0%</i>	<i>6.0%</i>	<i>5.0%</i>	<i>4.0%</i>
Professional services and other	54	56	60	65	69	72	75
<i>% of Subscription Revenue</i>	<i>2.1%</i>	<i>2.0%</i>	<i>2.0%</i>	<i>2.0%</i>	<i>2.0%</i>	<i>2.0%</i>	<i>2.0%</i>
Cost of Revenue	618	671	709	742	787	826	859
Subscription	549	599	632	660	699	734	764
<i>% of total sales</i>	<i>21.0%</i>	<i>21.0%</i>	<i>20.5%</i>	<i>20.0%</i>	<i>20.0%</i>	<i>20.0%</i>	<i>20.0%</i>
Professional services and other	69	71	77	82	87	92	95
<i>% of total sales</i>	<i>(12.7%)</i>	<i>2.5%</i>	<i>2.5%</i>	<i>2.5%</i>	<i>2.5%</i>	<i>2.5%</i>	<i>2.5%</i>
Gross Profit	1,992	2,183	2,374	2,556	2,710	2,845	2,959
<i>% GP Margin</i>	<i>18.4%</i>	<i>76.5%</i>	<i>77.0%</i>	<i>77.5%</i>	<i>77.5%</i>	<i>77.5%</i>	<i>77.5%</i>
Research and development	642	631	647	660	664	661	649
<i>% of total sales</i>	<i>24.6%</i>	<i>22.1%</i>	<i>21.0%</i>	<i>20.0%</i>	<i>19.0%</i>	<i>18.0%</i>	<i>17.0%</i>
Sales and marketing	965	1,028	1,048	1,055	1,084	1,138	1,145
<i>% of total sales</i>	<i>37.0%</i>	<i>36.0%</i>	<i>34.0%</i>	<i>32.0%</i>	<i>31.0%</i>	<i>31.0%</i>	<i>30.0%</i>
General and administrative	448	428	416	396	367	349	344
<i>% of total sales</i>	<i>17.2%</i>	<i>15.0%</i>	<i>13.5%</i>	<i>12.0%</i>	<i>10.5%</i>	<i>9.5%</i>	<i>9.0%</i>
EBIT	(74)	97	262	445	594	697	821
<i>% EBIT Margin</i>	<i>(2.8%)</i>	<i>3.4%</i>	<i>8.5%</i>	<i>13.5%</i>	<i>17.0%</i>	<i>19.0%</i>	<i>21.5%</i>
Cash Taxes	0	0	13	45	89	139	205
<i>% Cash Tax Rate</i>	<i>0.0%</i>	<i>0.0%</i>	<i>5.0%</i>	<i>10.0%</i>	<i>15.0%</i>	<i>20.0%</i>	<i>25.0%</i>
NOPAT	(74)	97	249	401	505	558	616
<i>% NOPAT Margin</i>	<i>(2.8%)</i>	<i>3.4%</i>	<i>8.1%</i>	<i>12.2%</i>	<i>14.5%</i>	<i>15.2%</i>	<i>16.1%</i>
D&A	218	231	247	261	273	283	294
<i>% of total sales</i>	<i>8.4%</i>	<i>8.1%</i>	<i>8.0%</i>	<i>7.9%</i>	<i>7.8%</i>	<i>7.7%</i>	<i>7.7%</i>
Stock-based Compensation	565	571	555	528	489	441	458
<i>% of total sales</i>	<i>21.6%</i>	<i>20.0%</i>	<i>18.0%</i>	<i>16.0%</i>	<i>14.0%</i>	<i>12.0%</i>	<i>12.0%</i>
CapEx	20	23	22	23	21	22	23
<i>% of total sales</i>	<i>0.8%</i>	<i>0.8%</i>	<i>0.7%</i>	<i>0.7%</i>	<i>0.6%</i>	<i>0.6%</i>	<i>0.6%</i>
Change in NWC	(144)	(204)	(115)	(56)	(50)	(35)	(40)
<i>% of total sales</i>	<i>(5.5%)</i>	<i>(7.2%)</i>	<i>(3.7%)</i>	<i>(1.7%)</i>	<i>(1.4%)</i>	<i>(1.0%)</i>	<i>(1.0%)</i>
Unlevered Free-Cash-Flow	833	1,080	1,144	1,222	1,297	1,294	1,384
<i>% UFCF margin</i>	<i>31.9%</i>	<i>37.9%</i>	<i>37.1%</i>	<i>37.0%</i>	<i>37.1%</i>	<i>35.3%</i>	<i>36.3%</i>
<i>% growth rate</i>	<i>46.4%</i>	<i>29.7%</i>	<i>5.9%</i>	<i>6.8%</i>	<i>6.2%</i>	<i>(0.2%)</i>	<i>7.0%</i>

Table 7: Discounted Cash-Flow Calculation

DCF

Key Assumptions:

WACC	8.67%
Perpetual growth rate g	2.50%
Days p.a.	365
Shares Outstanding	175,086,000

Valuation Date: 01/05/25

(dollars in millions)	2026E	2027E	2028E	2029E	2030E	2031E
UFCF, Base	1,080	1,144	1,222	1,297	1,294	1,384
Fiscal-year end	1/31/26	1/31/27	1/31/28	1/31/29	1/31/30	1/31/31
Months from valuation date	9	21	33	45	57	69
Timing exponent t	0.75	1.75	2.75	3.75	4.75	5.75
PV-factor	0.94	0.86	0.80	0.73	0.67	0.62
Present Value UFCF	1,015	989	972	949	872	858
Terminal Value (Gordon Growth)						23,006

Base		Bull		Bear	
Sum Discounted UFCF	5,656	Sum Discounted UFCF	6,558	Sum Discounted UFCF	4,979
Discounted Terminal Value	14,264	Discounted Terminal Value	16,940	Discounted Terminal Value	12,284
Enterprise Value	19,920	Enterprise Value	23,498	Enterprise Value	17,262
Net Debt	(1,665)	Net Debt	(1,665)	Net Debt	(1,665)
Equity Value	21,585	Equity Value	25,163	Equity Value	18,927
Number of Diluted Shares	175,086,000	Number of Diluted Shares	175,086,000	Number of Diluted Shares	175,086,000
Value per Share (\$)	123.28	Value per Share (\$)	143.72	Value per Share (\$)	108.10

Weighted Average DCF Share Price (in \$)			
Scenario	Base	Bull	Bear
Scenario Weight	50%	25%	25%
Value per Share	123.28	143.72	108.10
Weighted Value per Share	124.60		
Share Price (01.05), Close	111.86		
<i>Difference</i>	<i>11.39%</i>		

Sensitivity Table, Base

Perpetual Growth Rate	WACC				
	7.67%	8.17%	8.7%	9.17%	9.67%
1.5%	127.8	118.9	111.2	104.5	98.7
2.0%	135.8	125.5	116.8	109.3	102.7
2.5%	145.3	133.3	123.3	114.7	107.4
3.0%	156.8	142.6	130.9	121.1	112.7
3.5%	171.1	153.9	140.0	128.5	118.9

Table 8: Trading Comparables

Trading comparables										
Basket	Ticker	Company	EV (in \$m)	Revenue Growth CFY to FY+1	EV / NTM Revenue	EV / TTM Revenue	EV / TTM Gross Profit	EV / NTM Gross Profit	Growth-Adjusted Revenue Multiple	
Core IAM / Zero-Trust SaaS	YOU	Clear Secure Inc	2,778.83	14%	3.0x	3.5x	4.2x	4.0x	0.3x	
Core IAM / Zero-Trust SaaS	CYBR	Cyberark Software Ltd	16,850.83	31%	11.8x	16.8x	21.3x	14.2x	0.6x	
Core IAM / Zero-Trust SaaS	ZS	Zscaler Inc	33,926.72	22%	10.9x	14.0x	19.3x	13.6x	0.5x	
Broader security SaaS (high-growth)	NET	Cloudflare Inc	42,483.09	25%	18.3x	24.0x	32.3x	23.5x	0.7x	
Broader security SaaS (high-growth)	CRWD	CrowdStrike Holdings Inc	105,668.18	21%	20.7x	26.7x	34.2x	26.4x	1.0x	
Broader security SaaS (high-growth)	PANW.O	Palo Alto Networks Inc	120,451.50	14%	11.7x	14.1x	19.3x	15.2x	0.8x	
Median					11.8x	15.4x	20.3x	14.7x	0.6x	
Average					12.7x	16.5x	21.8x	16.2x	0.6x	
25th Percentile					9.0x	11.4x	15.5x	11.2x	0.5x	
75th Percentile					18.9x	24.7x	32.8x	24.2x	0.8x	

Source: LSEG Data & Analytics

Multiples Valuation

Median EV / TTM Revenue	15.4x	Median EV / NTM Revenue	11.8x
Okta TTM Revenue	2,610	Okta NTM Revenue	2,957
Enterprise Value	40,315	Enterprise Value	34,780
Net debt	-	Net debt	-
Equity value	41,980	Equity value	36,445
# shares	175,086,000	# shares	175,086,000
Median Price Target	239.77	Median Price Target	208.15
25th Percentile	179.02	25th Percentile	160.83
75th Percentile	377.44	75th Percentile	328.00

Median EV / TTM Gross Profit	20.3x	Median EV / NTM Gross Profit	14.7x
Okta FY25 Gross Profit	1,992	Okta NTM GP	2,183
Enterprise Value	40,441	Enterprise Value	32,076
Net debt	-	Net debt	-
Equity value	42,106	Equity value	33,741
# shares	175,086,000	# shares	175,086,000
Median Price Target	240.49	Median Price Target	192.71
25th Percentile	186.26	25th Percentile	149.57
75th Percentile	382.78	75th Percentile	311.32

Median Growth-Adjusted Revenue Multiple	0.6x
Okta NTM RV/NTM Rev-growth %	28,571
Enterprise Value	18,299
Net debt	-
Equity value	19,964
# shares	175,086,000
Median Price Target	114.02
25th Percentile	84.92
75th Percentile	143.38

Table 9: Transaction Comparables

Transaction comparables								
Date	Target	Target description	Acquirer	EV (in m)	ARR (in m)	Revenue (in m)	EV/ARR	EV/Revenue
Aug-22	Ping Identity (100% Stake)	Workforce IAM	Thoma Bravo	2,800.00	341.00	299.00	8.2x	9.4x
Oct-22	ForgeRock (100% Stake)	Enterprise CIAM	Thoma Bravo	2,300.00	229.60	217.50	10.0x	10.6x
Apr-22	SailPoint (100% Stake)	Identity Governance	Thoma Bravo	6,900.00	370.40	439.00	18.6x	15.7x
Mar-22	Auth0 (100% Stake)	Developer CIAM	Okta	6,500.00	200.00	150.00	32.5x	43.3x

Numbers are Estimates

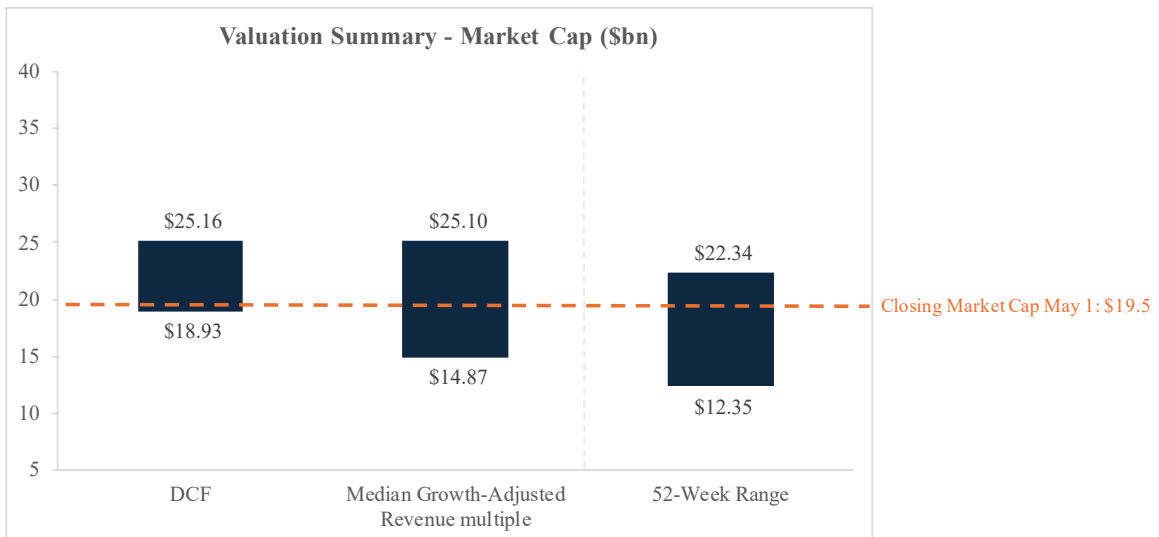
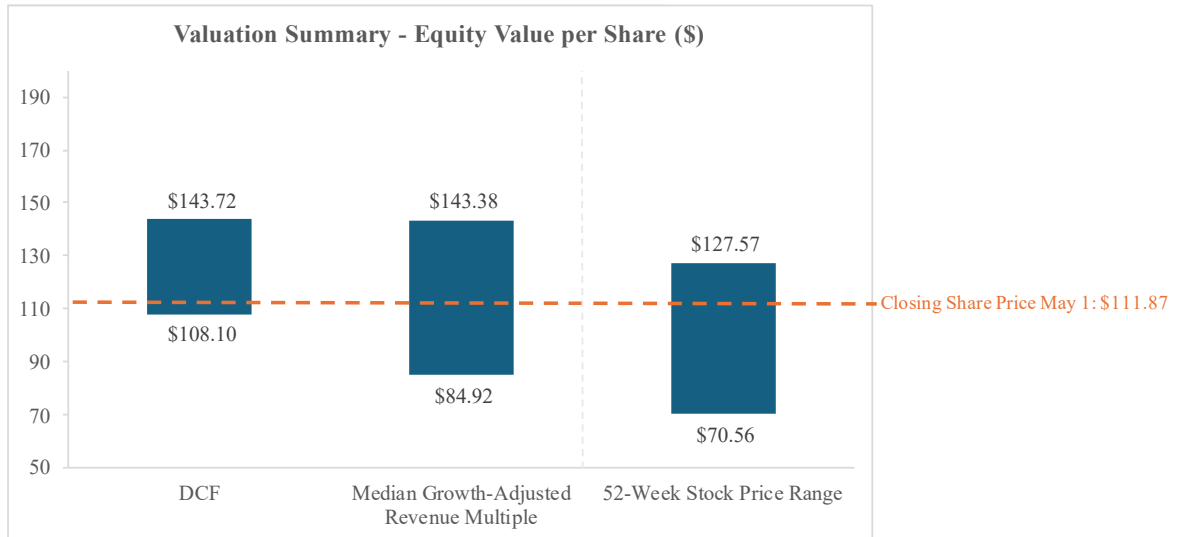
Median	14.3x	13.1x
Average	17.3x	19.7x
25th Percentile	8.7x	9.7x
75th Percentile	29.0x	36.4x

Multiples Valuation

Median EV/ARR	14.3x
Okta ARR	2,688
Enterprise Value	38,500
Net debt	- 1,665
Equity value	40,165
# shares	175,086,000
Median Price Target	229.40
25th Percentile	142.50
75th Percentile	455.22

Median EV/Revenue	13.1x
Okta TTM Revenue	2,610
Enterprise Value	34,311
Net debt	- 1,665
Equity value	35,976
# shares	175,086,000
Median Price Target	205.48
25th Percentile	153.62
75th Percentile	552.56

Table 10: Football-Field Chart



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