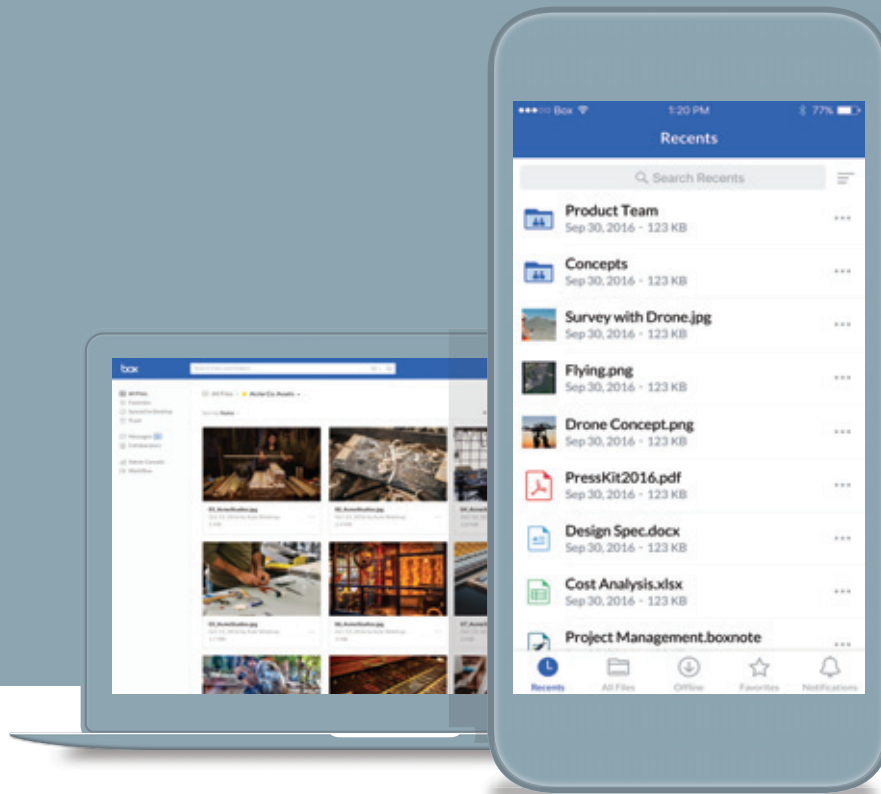




2017

PROXY STATEMENT
& ANNUAL REPORT

Work as one



Box is the leader in Cloud Content Management, the simple and secure way to bring people, information and applications together to revolutionize how the world works.

Dear Fellow Stockholders,

Fiscal 2017 was another incredible year for Box. We achieved annual revenue growth of 32 percent, strengthened our leadership in cloud content management and, in the fourth quarter, generated quarterly positive free cash flow for the first time! We also continued to make improvements in the business, including several new product launches, that we believe set us up well for our long-term goal of \$1 billion in revenue.

We ended the year with over 71,000 customers, including 64% of the Fortune 500, and bringing on or expanding amazing brands like Pfizer, Airbnb, Autodesk, Southwest Airlines, Sony Music, and more. These customers are using Box to solve some of their most important and pressing needs from powering collaboration around medical discoveries to launching the latest best-selling albums.

As the pioneer in cloud content management, we continued to separate ourselves from the competition in three key areas this past year: building the best service for people to share and collaborate; enabling enterprises of any size to securely manage their data; and extending our platform to customers and partners to embed into every application our customers use.

For end-users, we launched a significantly enhanced and expanded version of Box Notes, our real-time collaboration tool for teams, now used by more than a third of the Fortune 500. We also introduced an all new version of Box across web and mobile, and announced a new version of our desktop experience.

For enterprises, we introduced significant new advancements around security, governance, compliance, and privacy. For our global customers, we introduced a data residency solution, Box Zones, in partnership with IBM and Amazon, that lets customers store their content in eight countries, and growing. We also made significant progress in supporting our most regulated customers with product updates to Box Governance, advancing our security capabilities and partnerships, and enabling new compliance certifications such as FedRAMP for the US Federal Government and European Binding Corporate Rules for our European customers.

Finally, Box aims to be the most developer- and partner-centric company in enterprise software, extending our platform to support the growing needs of our customers and partners to create new digital experiences and workflows that connect them with their customers, partners and employees more seamlessly. In fact, every quarter we're now seeing tens of billions of API calls from partner and customer applications built on our platform. And, to ensure enterprises can manage all of their content in one place and connect to their growing cloud apps, Box has a vast and growing partner ecosystem.

Over the past year, we've enhanced our relationships with leading technology players, including Microsoft, where Box is now integrated across Office 365 experiences, enabling seamless interoperability between Box and Office Online, Outlook, and more; Google, where Box announced a partnership to deeply integrate with Google Suite products, such as Google Docs; IBM, where Box is jointly developing modern workflow and business process experiences; and finally, Slack and Workplace by Facebook, where Box is integrating into leading social and collaborative tools for the enterprise.

Overall, FY17 was a fantastic year for our execution and business results. But for as far as we've come, and as much as we've built, we have so much more opportunity in front of us.

While most enterprises are moving to the cloud, the vast majority of information and data is still sprawled across on-premises systems, with legacy content management software, storage infrastructure, workflow tools, and collaboration apps slowing them down. In the digital age, when companies need to work at a far faster pace and stay ahead of rapidly changing cybersecurity threats and compliance requirements, the old way of managing information just doesn't hold up.

To stay ahead, companies will need to reimagine the way they work to stay as productive and competitive as possible. The future of work is about allowing disparate organizations across the globe to work together as if they were one, without cybersecurity and data privacy issues getting in the way. It's about a culture of collaboration, allowing people to share their knowledge freely, so the best ideas win. It's about customers and vendors being able to connect and communicate in real-time to move business forward. And it's about people having all of their information at their fingertips, allowing intelligent software to answer any question, before it's even asked.

We believe the most successful businesses will be fueled by modern tools and platforms to manage information, enabling companies to work in entirely new ways. We're building the cloud content management platform for businesses – large and small – to enable these experiences. From doctors at Kaiser sharing medical images instantly with patients, to animators at DreamWorks collaborating on new films, to researchers at Eli Lilly developing new life-saving drugs in a fraction of the time, and to rescue workers from the International Rescue Committee accessing critical data in the field, we are constantly realizing our mission to power how the world works together.

We're incredibly excited about the journey ahead and the amount of innovation possible in our industry and at Box. Thank you for your continued support.

Go Cloud!

Aaron Levie

BOX, INC.
900 JEFFERSON AVE.
REDWOOD CITY, CALIFORNIA 94063

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held at 1:00 p.m. Pacific Time on Wednesday, June 21, 2017

Dear Stockholders of Box, Inc.:

We cordially invite you to attend the 2017 annual meeting of stockholders (the “Annual Meeting”) of Box, Inc., a Delaware corporation, which will be held on **Wednesday, June 21, 2017 at 1:00 p.m. Pacific Time**. This year’s Annual Meeting will be a completely virtual meeting of stockholders. You can attend the Annual Meeting by visiting www.virtualshareholdermeeting.com/BOX2017 where you will be able to listen to the meeting live, submit questions and vote online.

We are holding the Annual Meeting for the following purposes, as more fully described in the accompanying proxy statement:

1. To elect three Class III directors to serve until the 2020 annual meeting of stockholders and until their successors are duly elected and qualified;
2. To approve an amendment to our amended and restated certificate of incorporation;
3. To approve, on an advisory basis, the compensation of our named executive officers;
4. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending January 31, 2018; and
5. To transact such other business that may properly come before the Annual Meeting or any adjournments or postponements thereof.

Our board of directors has fixed the close of business on May 1, 2017 as the record date for the Annual Meeting (the “Record Date”). Only stockholders of record on May 1, 2017 are entitled to notice of and to vote at the Annual Meeting. Further information regarding voting rights and the matters to be voted upon is presented in the accompanying proxy statement.

On or about May 10, 2017, we expect to mail to our stockholders a Notice of Internet Availability of Proxy Materials (the “Notice”) containing instructions on how to access our proxy statement and annual report. The Notice provides instructions on how to vote via the Internet or by telephone and includes instructions on how to receive a paper copy of our proxy materials by mail. The accompanying proxy statement and our annual report can be accessed directly at the following Internet address: <https://materials.proxyvote.com/10316T>. You will be asked to enter the sixteen digit control number located on your Notice or proxy card.

YOUR VOTE IS IMPORTANT. Whether or not you plan to attend the Annual Meeting, we urge you to submit your vote via the Internet, telephone or mail as soon as possible to ensure your shares are represented. For additional instructions on voting by telephone or the Internet, please refer to your proxy card. Returning the proxy does not deprive you of your right to attend the Annual Meeting and to vote your shares at the Annual Meeting.

We appreciate your continued support of Box.

By order of the Board of Directors,



Aaron Levie
Chairman and Chief Executive Officer
Redwood City, California
May 10, 2017

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BOX, INC.

PROXY STATEMENT FOR 2017 ANNUAL MEETING OF STOCKHOLDERS To Be Held at 1:00 p.m. Pacific Time on Wednesday, June 21, 2017

This proxy statement and the enclosed form of proxy are furnished in connection with the solicitation of proxies by our board of directors (the “Board of Directors”) for use at the 2017 annual meeting of stockholders of Box, Inc., a Delaware corporation, and any postponements, adjournments or continuations thereof (the “Annual Meeting”). The Annual Meeting will be held virtually on Wednesday, June 21, 2017 at 1:00 p.m. Pacific Time. You can attend the Annual Meeting by visiting www.virtualshareholdermeeting.com/BOX2017, where you will be able to listen to the meeting live, submit questions and vote online. The Notice of Internet Availability of Proxy Materials (the “Notice”) containing instructions on how to access this proxy statement and our annual report is first being mailed on or about May 10, 2017 to all stockholders entitled to vote at the Annual Meeting.

The information provided in the “question and answer” format below is for your convenience only and is merely a summary of the information contained in this proxy statement. You should read this entire proxy statement carefully. Information contained on, or that can be accessed through, our website is not intended to be incorporated by reference into this proxy statement and references to our website address in this proxy statement are inactive textual references only.

What matters am I voting on?

You will be voting on:

- the election of three Class III directors to serve until our 2020 annual meeting of stockholders and until their successors are duly elected and qualified;
- a proposal to approve an amendment to our amended and restated certificate of incorporation;
- a proposal to approve, on an advisory basis, the compensation of our named executive officers;
- a proposal to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending January 31, 2018; and
- any other business as may properly come before the Annual Meeting.

How does the Board of Directors recommend I vote on these proposals?

Our Board of Directors recommends a vote:

- “FOR” the election of Rory O’Driscoll, Dylan Smith and Bryan Taylor as Class III directors;
- “FOR” the approval of an amendment to our amended and restated certificate of incorporation;
- “FOR” the approval, on an advisory basis, of the compensation of our named executive officers; and
- “FOR” the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending January 31, 2018.

Who is entitled to vote?

Holders of either class of our common stock as of the close of business on the Record Date may vote at the Annual Meeting. As of the Record Date, there were 77,966,423 shares of our Class A common stock outstanding and 54,807,227 shares of our Class B common stock outstanding. Our Class A common stock and Class B common stock will vote as a single class on all matters described in this proxy statement for which your vote is

being solicited. Stockholders are not permitted to cumulate votes with respect to the election of directors. Each share of Class A common stock is entitled to one vote on each proposal and each share of Class B Common Stock is entitled to 10 votes on each proposal. Our Class A common stock and Class B common stock are collectively referred to in this proxy statement as our common stock.

Registered Stockholders. If shares of our common stock are registered directly in your name with our transfer agent, you are considered the stockholder of record with respect to those shares and the Notice was provided to you directly by us. As the stockholder of record, you have the right to grant your voting proxy directly to the individuals listed on the proxy card or to vote live at the Annual Meeting. Throughout this proxy statement, we refer to these registered stockholders as “stockholders of record.”

Street Name Stockholders. If shares of our common stock are held on your behalf in a brokerage account or by a bank or other nominee, you are considered to be the beneficial owner of shares that are held in “street name,” and the Notice was forwarded to you by your broker, bank or other nominee, who is considered the stockholder of record with respect to those shares. As the beneficial owner, you have the right to direct your broker, bank or other nominee as to how to vote your shares. Beneficial owners are also invited to attend the Annual Meeting. However, since a beneficial owner is not the stockholder of record, you may not vote your shares of our common stock live at the Annual Meeting unless you follow your broker, bank or other nominee’s procedures for obtaining a legal proxy. If you request a printed copy of our proxy materials by mail, your broker, bank or other nominee will provide a voting instruction form for you to use. Throughout this proxy statement, we refer to stockholders who hold their shares through a broker, bank or other nominee as “street name stockholders.”

How many votes are needed for approval of each proposal?

- *Proposal No. 1:* The election of directors requires a plurality of the voting power of the shares of our common stock present virtually or by proxy at the Annual Meeting and entitled to vote thereon to be approved. “Plurality” means that the nominees who receive the largest number of votes cast “For” such nominees are elected as directors. As a result, any shares not voted “For” a particular nominee (whether as a result of stockholder abstention or a broker non-vote) will not be counted in such nominee’s favor and will have no effect on the outcome of the election. You may vote “For” or “Withhold” on each of the nominees for election as a director. Broker non-votes will have no effect on the outcome of this proposal.
- *Proposal No. 2:* The affirmative vote of the holders of a majority of the voting power of our outstanding shares of Class A Common Stock and Class B Common Stock, voting together as a single class, is required to approve the amendment of our Amended and Restated Certificate of Incorporation. You may vote “For,” “Against,” or “Abstain” with respect to this proposal. Abstentions and broker non-votes will have the same effect as a vote “Against” this proposal.
- *Proposal No. 3:* The approval, on an advisory basis, of the compensation of our named executive officers, requires the affirmative vote of at least a majority of the voting power of our common stock present virtually or by proxy at the Annual Meeting and entitled to vote thereon to be approved. You may vote “For,” “Against,” or “Abstain” with respect to this proposal. Abstentions are considered votes present and entitled to vote on this proposal, and thus, will have the same effect as a vote “Against” this proposal. Broker non-votes will have no effect on the outcome of this proposal. However, because this proposal is an advisory vote, the result will not be binding on our Board of Directors or our company. Our Board of Directors and our Compensation Committee will consider the outcome of the vote when determining named executive officer compensation in the future.
- *Proposal No. 4:* The ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending January 31, 2018, requires the affirmative vote of a majority of the voting power of the shares of our common stock present virtually or by proxy

at the Annual Meeting and entitled to vote thereon to be approved. Abstentions are considered votes present and entitled to vote on this proposal, and thus, will have the same effect as a vote “Against” this proposal. Broker non-votes will have no effect on the outcome of this proposal.

What is a quorum?

A quorum is the minimum number of shares required to be present at the Annual Meeting to properly hold an annual meeting of stockholders and conduct business under our amended and restated bylaws and Delaware law. The presence, virtually or by proxy, of a majority of the voting power of all issued and outstanding shares of our common stock entitled to vote at the Annual Meeting will constitute a quorum at the Annual Meeting. Abstentions, withhold votes and broker non-votes are counted as shares present and entitled to vote for purposes of determining a quorum.

How do I vote?

If you are a stockholder of record, there are four ways to vote:

- by Internet at www.proxyvote.com, 24 hours a day, seven days a week, until 11:59 p.m. Eastern Time on June 20, 2017 (have your Notice or proxy card in hand when you visit the website);
- by toll-free telephone until 11:59 p.m. Eastern Time on June 20, 2017 at 1-800-690-6903 if you are a “registered” stockholder or 1-800-454-8683 if you are a “beneficial” stockholder (be sure to have your Notice or proxy card in hand when you call);
- by completing and mailing your proxy card so it is received prior to the Annual Meeting (if you received printed proxy materials); or
- by attending the Annual Meeting by visiting www.virtualshareholdermeeting.com/BOX2017, where stockholders may vote and submit questions during the meeting (have your Notice or proxy card in hand when you visit the website).

Even if you plan to attend the Annual Meeting, we recommend that you also vote by proxy so that your vote will be counted if you later decide not to attend the Annual Meeting.

If you are a street name stockholder, you will receive voting instructions from your broker, bank or other nominee. You must follow the voting instructions provided by your broker, bank or other nominee in order to direct your broker, bank or other nominee on how to vote your shares. Street name stockholders should generally be able to vote by returning a voting instruction form, or by telephone or on the Internet. However, the availability of telephone and Internet voting will depend on the voting process of your broker, bank or other nominee. As discussed above, if you are a street name stockholder, you may not vote your shares live at the Annual Meeting unless you obtain a legal proxy from your broker, bank or other nominee.

Can I change my vote?

Yes. If you are a stockholder of record, you can change your vote or revoke your proxy any time before the Annual Meeting by:

- entering a new vote by Internet or by telephone;
- completing and returning a later-dated proxy card;
- notifying the Secretary of Box, Inc., in writing, at Box, Inc., 900 Jefferson Ave., Redwood City, California 94063; or
- attending and voting at the Annual Meeting (although attendance at the Annual Meeting will not, by itself, revoke a proxy).

If you are a street name stockholder, your broker, bank or other nominee can provide you with instructions on how to change your vote.

What do I need to do to attend the Annual Meeting?

You will be able to attend the Annual Meeting online, submit your questions during the meeting and vote your shares electronically at the meeting by visiting www.virtualshareholdermeeting.com/BOX2017. To participate in the Annual Meeting, you will need the control number included on your Notice or proxy card. The Annual Meeting webcast will begin promptly at 1:00 p.m. Pacific Time. We encourage you to access the meeting prior to the start time. Online check-in will begin at 12:45 p.m. Pacific Time, and you should allow ample time for the check-in procedures.

What is the effect of giving a proxy?

Proxies are solicited by and on behalf of our Board of Directors. Aaron Levie, Dan Levin and Dylan Smith have been designated as proxy holders by our Board of Directors. When proxies are properly dated, executed and returned, the shares represented by such proxies will be voted at the Annual Meeting in accordance with the instructions of the stockholder. If no specific instructions are given, however, the shares will be voted in accordance with the recommendations of our Board of Directors as described above. If any matters not described in this proxy statement are properly presented at the Annual Meeting, the proxy holders will use their own judgment to determine how to vote the shares. If the Annual Meeting is adjourned, the proxy holders can vote the shares on the new Annual Meeting date as well, unless you have properly revoked your proxy instructions, as described above.

Why did I receive a Notice of Internet Availability of Proxy Materials instead of a full set of proxy materials?

In accordance with the rules of the Securities and Exchange Commission (“SEC”), we have elected to furnish our proxy materials, including this proxy statement and our annual report, primarily via the Internet. The Notice containing instructions on how to access our proxy materials is first being mailed on or about May 10, 2017 to all stockholders entitled to vote at the Annual Meeting. Stockholders may request to receive all future proxy materials in printed form by mail or electronically by e-mail by following the instructions contained in the Notice. We encourage stockholders to take advantage of the availability of our proxy materials on the Internet to help reduce the environmental impact and cost of our annual meetings of stockholders.

How are proxies solicited for the Annual Meeting?

Our Board of Directors is soliciting proxies for use at the Annual Meeting. All expenses associated with this solicitation will be borne by us. We will reimburse brokers, banks or other nominees for reasonable expenses that they incur in sending our proxy materials to you if a broker, bank or other nominee holds shares of our common stock on your behalf. In addition, our directors and employees may also solicit proxies in person, by telephone, or by other means of communication. Our directors and employees will not be paid any additional compensation for soliciting proxies.

How may my brokerage firm or other intermediary vote my shares if I fail to provide timely directions?

Brokerage firms and other intermediaries holding shares of our common stock in street name for their customers are generally required to vote such shares in the manner directed by their customers. In the absence of timely directions, your broker will have discretion to vote your shares on our sole “routine” matter: the proposal to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending January 31, 2018. Your broker will not have discretion to vote on any other proposals, which are “non-routine” matters, absent direction from you.

Where can I find the voting results of the Annual Meeting?

We will announce preliminary voting results at the Annual Meeting. We will also disclose voting results on a Current Report on Form 8-K that we will file with the SEC within four business days after the Annual Meeting. If final voting results are not available to us in time to file a Current Report on Form 8-K within four business days after the Annual Meeting, we will file a Current Report on Form 8-K to publish preliminary results and will provide the final results in an amendment to the Current Report on Form 8-K as soon as they become available.

I share an address with another stockholder, and we received only one paper copy of the proxy materials. How may I obtain an additional copy of the proxy materials?

We have adopted a procedure called “householding,” which the SEC has approved. Under this procedure, we deliver a single copy of the Notice and, if applicable, our proxy materials to multiple stockholders who share the same address unless we have received contrary instructions from one or more of such stockholders. This procedure reduces our printing costs, mailing costs, and fees. Stockholders who participate in householding will continue to be able to access and receive separate proxy cards. Upon written or oral request, we will deliver promptly a separate copy of the Notice and, if applicable, our proxy materials to any stockholder at a shared address to which we delivered a single copy of any of these materials. To receive a separate copy, or, if a stockholder is receiving multiple copies, to request that we only send a single copy of the Notice and, if applicable, our proxy materials, such stockholder may contact us at the following address:

Box, Inc.
Attention: Investor Relations
900 Jefferson Ave.
Redwood City, California 94063
Tel: (877) 729-4269

Street name stockholders may contact their broker, bank or other nominee to request information about householding.

What is the deadline to propose actions for consideration at next year’s annual meeting of stockholders or to nominate individuals to serve as directors?*Stockholder Proposals*

Stockholders may present proper proposals for inclusion in our proxy statement and for consideration at next year’s annual meeting of stockholders by submitting their proposals in writing to our Secretary in a timely manner. For a stockholder proposal to be considered for inclusion in our proxy statement for the 2018 annual meeting of stockholders, our Secretary must receive the written proposal at our principal executive offices not later than January 10, 2018. In addition, stockholder proposals must comply with the requirements of Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) regarding the inclusion of stockholder proposals in company-sponsored proxy materials. Stockholder proposals should be addressed to:

Box, Inc.
Attention: Secretary
900 Jefferson Ave.
Redwood City, California 94063

Our amended and restated bylaws also establish an advance notice procedure for stockholders who wish to present a proposal before an annual meeting of stockholders but do not intend for the proposal to be included in our proxy statement. Our amended and restated bylaws provide that the only business that may be conducted at an annual meeting of stockholders is business that is (i) specified in our proxy materials with respect to such annual meeting, (ii) otherwise properly brought before such annual meeting by or at the direction of our Board of Directors, or (iii) properly brought before such meeting by a stockholder of record entitled to vote at such annual

meeting who has delivered timely written notice to our Secretary, which notice must contain the information specified in our amended and restated bylaws. To be timely for our 2018 annual meeting of stockholders, our Secretary must receive the written notice at our principal executive offices:

- not earlier than February 24, 2018; and
- not later than the close of business on March 26, 2018.

In the event that we hold the 2018 annual meeting of stockholders more than 30 days before or more than 60 days after the one-year anniversary of the Annual Meeting, notice of a stockholder proposal that is not intended to be included in our proxy statement must be received no earlier than the close of business on the 120th day before the 2018 annual meeting of stockholders and no later than the close of business on the later of the following two dates:

- the 90th day prior to the 2018 annual meeting of stockholders; or
- the 10th day following the day on which public announcement of the date of our 2018 annual meeting of stockholders is first made.

If a stockholder who has notified us of his, her or its intention to present a proposal at an annual meeting of stockholders does not appear to present his, her or its proposal at such annual meeting, we are not required to present the proposal for a vote at such annual meeting.

Nomination of Director Candidates

Holders of our common stock may propose director candidates for consideration by our Nominating and Corporate Governance Committee. Any such recommendations should include the nominee's name and qualifications for membership on our Board of Directors and should be directed to our Secretary at the address set forth above. For additional information regarding stockholder recommendations for director candidates, see the section titled "Board of Directors and Corporate Governance—Stockholder Recommendations for Nominations to the Board of Directors."

In addition, our amended and restated bylaws permit stockholders to nominate directors for election at an annual meeting of stockholders. To nominate a director, the stockholder must provide the information required by our amended and restated bylaws. In addition, the stockholder must give timely notice to our Secretary in accordance with our amended and restated bylaws, which, in general, require that the notice be received by our Secretary within the time periods described above under the section titled "Stockholder Proposals" for stockholder proposals that are not intended to be included in a proxy statement.

Availability of Bylaws

A copy of our amended and restated bylaws is available on our website at <http://www.boxinvestorrelations.com>. You may also contact our Secretary at the address set forth above for a copy of the relevant bylaw provisions regarding the requirements for making stockholder proposals and nominating director candidates.

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Our business affairs are managed under the direction of our Board of Directors, which is currently composed of nine members. Six of our directors are independent within the meaning of the listing standards of the New York Stock Exchange. Our Board of Directors is divided into three staggered classes of directors. At each annual meeting of stockholders, a class of directors will be elected for a three-year term to succeed the same class whose term is then expiring.

The following table sets forth the names, ages as of March 31, 2017, and certain other information for each of the members of our Board of Directors with terms expiring at the Annual Meeting (who are also nominees for election as a director at the Annual Meeting) and for each of the continuing members of our Board of Directors:

	Class	Age	Position	Director Since	Current Term Expires	Expiration of Term For Which Nominated
Directors with Terms Expiring at the Annual Meeting/Nominees						
Rory O’Driscoll ⁽¹⁾⁽²⁾	III	52	Director	2010	2017	2020
Dylan Smith	III	31	Chief Financial Officer and Director	2005	2017	2020
Bryan Taylor ⁽²⁾	III	46	Director	2014	2017	2020
Continuing Directors						
Aaron Levie	I	32	Chairman and Chief Executive Officer	2005	2018	—
Dana Evan ⁽¹⁾⁽³⁾	I	57	Director	2011	2018	—
Steven Krausz ⁽¹⁾	I	62	Director	2013	2018	—
Dan Levin	II	53	President, Chief Operating Officer and Director	2010	2019	—
Gary Reiner ⁽³⁾	II	62	Director	2012	2019	—
Josh Stein ⁽²⁾⁽³⁾	II	43	Director	2006	2019	—

(1) Member of our Audit Committee

(2) Member of our Compensation Committee

(3) Member of our Nominating and Corporate Governance Committee

Nominees for Director

Rory O’Driscoll has served as a member of our Board of Directors since April 2010. Mr. O’Driscoll has worked in venture capital since 1994 as a senior member of the Bank of America investment team, which became Scale Venture Partners in 2007. Since 2007, Mr. O’Driscoll has been a Managing Partner at Scale Venture Partners, a venture capital firm. Mr. O’Driscoll currently serves on the boards of directors of several privately held companies and previously served on the boards of directors of ExactTarget, Inc., a digital marketing software company, until it was acquired by salesforce.com, inc. in July 2013, and Omniture, Inc. until it was acquired by Adobe Systems Incorporated in October 2009. Mr. O’Driscoll holds a B.Sc. from the London School of Economics.

Mr. O’Driscoll was selected to serve on our Board of Directors because of his experience in the venture capital industry and as a director of both publicly and privately held technology companies.

Dylan Smith co-founded our company and has served as our Chief Financial Officer and as a member of our Board of Directors since April 2005. Mr. Smith holds a B.A. in Economics from Duke University.

Mr. Smith was selected to serve on our Board of Directors because of the perspective and experience he brings as one of our founders.

Bryan Taylor has served as a member of our Board of Directors since August 2014. Mr. Taylor serves as a Partner at TPG Capital, a private equity firm he joined in February 2004. Mr. Taylor previously served on the board of directors of IMS Health Holdings, Inc., an information and technology services company, and currently serves on the boards of directors of a number of privately held companies. Mr. Taylor holds a B.A. in Political Science from Stanford University and an M.B.A. from the Stanford Graduate School of Business.

Mr. Taylor was selected to serve on our Board of Directors because of his experience as a director of both publicly and privately held companies and his knowledge of technology companies.

Continuing Directors

Aaron Levie co-founded our company and has served as our Chairman since December 2013 and as our Chief Executive Officer and a member of our Board of Directors since April 2005. Mr. Levie attended the University of Southern California from 2003 to 2005.

Mr. Levie was selected to serve on our Board of Directors because of the perspective and experience he brings as one of our founders.

Dana Evan has served as a member of our Board of Directors since December 2011. Since 2013, Ms. Evan has served as a Venture Partner at Icon Ventures, a venture capital firm, and since July 2007 has invested in and served on the boards of directors of companies in the internet, technology and media sectors. From May 1996 until July 2007, Ms. Evan served as Chief Financial Officer of VeriSign, Inc., a provider of intelligent infrastructure services for the internet and telecommunications networks. Ms. Evan currently serves on the boards of directors of Criteo S.A., a performance display advertising company and Proofpoint, Inc., a security-as-a-service provider, and a number of privately held companies, and previously served on the Board of Directors of Fusion-io, Inc., a flash memory technology company. Ms. Evan previously served on the Boards of Directors of Omniture, Inc., an online marketing and web analytics company, until it was acquired by Adobe Systems Incorporated in October 2009 and Everyday Health, Inc., a provider of digital health and wellness solutions, until it was acquired by Ziff Davis, LLC in December 2016. Ms. Evan holds a B.S. in Commerce from Santa Clara University and is a certified public accountant (inactive).

Ms. Evan was selected to serve on our Board of Directors because of her experience in operations, strategy, accounting, financial management and investor relations at both publicly and privately held technology companies.

Steven Krausz has served as a member of our Board of Directors since August 2013. Since 1985, Mr. Krausz has served in various roles at U.S. Venture Partners, a venture capital firm, where he currently serves as a Managing Member. Mr. Krausz currently serves on the boards of directors of a number of privately held companies and previously served on the boards of directors of Imperva, Inc., a data security company, Guidewire Software, Inc., a provider of software for insurance companies, and Occam Networks, Inc., a broadband network equipment company, until it was acquired by Calix, Inc. in February 2011. Mr. Krausz holds a B.S. in Electrical Engineering from Stanford University and an M.B.A. from the Stanford Graduate School of Business.

Mr. Krausz was selected to serve on our Board of Directors because of his experience in the venture capital industry and as a director of both publicly and privately held technology companies.

Dan Levin has served as our President and Chief Operating Officer since December 2013, as our Chief Operating Officer since July 2010 and as a member of our Board of Directors since January 2010. From March 2009 to July 2010, Mr. Levin served as an advisor to various technology start-ups, including our company since September 2009. From July 2008 to March 2009, Mr. Levin served as the interim Chief Executive Officer of Picateers Inc., an online photo sales company. Previously, Mr. Levin served in various executive roles at Intuit Inc., a business and financial management solutions company, most recently as Vice President and General Manager, Healthcare. Mr. Levin holds a B.A. in the independent concentration of Applications of Computer Graphics to Statistical Data Analysis from Princeton University.

Mr. Levin was selected to serve on our Board of Directors because of his extensive experience with technology companies.

Gary Reiner has served as a member of our Board of Directors since August 2012. Since November 2011, Mr. Reiner has been an Operating Partner at General Atlantic LLC, a private equity firm. From September 2010 to November 2011, Mr. Reiner served as Special Advisor to General Atlantic. From 1996 to September 2010, Mr. Reiner served as Senior Vice President and Chief Information Officer at General Electric Company, a multinational conglomerate corporation. Mr. Reiner previously held other executive positions with General Electric Company since joining the company in 1991. Mr. Reiner currently serves on the boards of directors of Citigroup Inc., a financial services firm, and Hewlett Packard Enterprise, a technology and enterprise products and IT services company. He previously served on the board of directors of Genpact Ltd., a business process management company, and a number of General Atlantic's privately held portfolio companies. Mr. Reiner holds a B.A. in Economics from Harvard University and an M.B.A. from Harvard Business School.

Mr. Reiner was selected to serve on our Board of Directors because of his operating and management experience with technology companies.

Josh Stein has served as a member of our Board of Directors since July 2006. Since December 2006, Mr. Stein has been a Managing Director of several funds affiliated with Draper Fisher Jurvetson, a venture capital firm he joined in May 2004. Mr. Stein currently serves on the boards of directors of several privately held companies. Mr. Stein holds a B.A. in Psychology from Dartmouth College and an M.B.A. from the Stanford Graduate School of Business.

Mr. Stein was selected to serve on our Board of Directors because of his experience in the venture capital industry and his knowledge of technology companies.

Director Independence

Our Class A common stock is listed on the New York Stock Exchange. Under the listing standards of the New York Stock Exchange, independent directors must comprise a majority of a listed company's board of directors. In addition, the listing standards of the New York Stock Exchange require that, subject to specified exceptions, each member of a listed company's audit, compensation, and nominating and corporate governance committees be independent. Under the listing standards of the New York Stock Exchange, a director will only qualify as an "independent director" if, in the opinion of that listed company's board of directors, that director does not have a material relationship with the company, either directly or indirectly, that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Audit committee members must also satisfy the additional independence criteria set forth in Rule 10A-3 under the Exchange Act, and the listing standards of the New York Stock Exchange. Compensation committee members must also satisfy the additional independence criteria set forth in Rule 10C-1 under the Exchange Act and the listing standards of the New York Stock Exchange.

Our Board of Directors has undertaken a review of the independence of each of our directors. Based on information provided by each director concerning his or her background, employment and affiliations, our Board of Directors has determined that none of Ms. Evan and Messrs. Krausz, O'Driscoll, Reiner, Stein and Taylor has a material relationship with the company, either directly or indirectly, that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is "independent" as that term is defined under the applicable rules and regulations of the SEC and the listing standards of the New York Stock Exchange. In making these determinations, our Board of Directors considered the current and prior relationships that each non-employee director has with our company and all other facts and circumstances our Board of Directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director, and the transactions involving them described in the section titled "Related Person Transactions."

Board Leadership Structure

Aaron Levie currently serves as both the Chairman of our Board of Directors and as our Chief Executive Officer. Our independent directors bring experience, oversight and expertise from outside of our company, while Mr. Levie brings company-specific experience and expertise. As one of our founders, Mr. Levie is best positioned to identify strategic priorities, lead critical discussion and execute our business plans. We believe that the structure of our Board of Directors and its committees provides effective independent oversight of management while Mr. Levie's combined role enables strong leadership, creates clear accountability and enhances our ability to communicate our message and strategy clearly and consistently to stockholders.

Lead Independent Director

Our Corporate Governance Guidelines provide that if our Chief Executive Officer serves as Chairman of our Board of Directors or if the Chairman is not otherwise independent, our Board of Directors will appoint a Lead Independent Director. Because Mr. Levie is our Chairman and Chief Executive Officer, our Board of Directors has appointed Mr. O'Driscoll to serve as our Lead Independent Director. As Lead Independent Director, Mr. O'Driscoll presides over periodic meetings of our independent directors, serves as a liaison between our Chairman and our independent directors and performs such additional duties as our Board of Directors otherwise determines and delegates.

Board Meetings and Committees

During our fiscal year ended January 31, 2017, our Board of Directors held fourteen meetings (including regularly scheduled and special meetings), and each director attended at least 75% of the aggregate of (i) the total number of meetings of our Board of Directors held during the period for which he or she has been a director and (ii) the total number of meetings held by all committees of our Board of Directors on which he or she served during the periods that he or she served.

Although we do not have a formal policy regarding attendance by members of our Board of Directors at annual meetings of stockholders, we encourage, but do not require, our directors to attend. Five directors attended our 2016 annual meeting of stockholders.

Our Board of Directors has established an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. The composition and responsibilities of each of the committees of our Board of Directors is described below. Members will serve on these committees until their resignation or until as otherwise determined by our Board of Directors.

Audit Committee

Our Audit Committee consists of Ms. Evan and Messrs. Krausz and O'Driscoll, with Ms. Evan serving as the chair. Each member of our Audit Committee meets the requirements for independence for audit committee members under the listing standards of the New York Stock Exchange and SEC rules and regulations. Each member of our Audit Committee also meets the financial literacy and sophistication requirements of the listing standards of the New York Stock Exchange. In addition, our Board of Directors has determined that Ms. Evan is an audit committee financial expert within the meaning of Item 407(d) of Regulation S-K under the Securities Act of 1933, as amended. Our Audit Committee is, among other things, responsible for the following:

- selecting and hiring our independent registered public accounting firm;
- evaluating the performance and independence of our independent registered public accounting firm;
- approving the audit and pre-approving any non-audit services to be performed by our independent registered public accounting firm;

- reviewing our financial statements and related disclosures and reviewing our critical accounting policies and practices;
- reviewing the adequacy and effectiveness of our internal control policies and procedures and our disclosure controls and procedures;
- overseeing procedures for the treatment of complaints on accounting, internal accounting controls, or audit matters;
- reviewing and discussing with management and the independent registered public accounting firm the results of our annual audit and the financial statements included in our publicly filed reports;
- reviewing and approving any proposed related person transactions; and
- preparing the Audit Committee report included in our annual proxy statement.

Our Audit Committee operates under a written charter that satisfies the applicable rules and regulations of the SEC and the listing standards of the New York Stock Exchange. A copy of the charter of our Audit Committee is available on our website at <http://www.boxinvestorrelations.com>. During our fiscal year ended January 31, 2017, our Audit Committee held seven meetings.

Compensation Committee

Our Compensation Committee consists of Messrs. O’Driscoll, Stein and Taylor, with Mr. Stein serving as the chair. Each member of our Compensation Committee meets the requirements for independence for compensation committee members under the listing standards of the New York Stock Exchange and SEC rules and regulations, including Rule 10C-1 under the Exchange Act. Each member of our Compensation Committee is also a non-employee director, as defined pursuant to Rule 16b-3 promulgated under the Exchange Act, and an outside director, as defined pursuant to Section 162(m) of the Internal Revenue Code. Our Compensation Committee is, among other things, responsible for the following:

- reviewing and approving our Chief Executive Officer’s and other executive officers’ annual base salaries, incentive compensation plans, including the specific goals and amounts, equity compensation, employment agreements, severance arrangements and change in control agreements, and any other benefits, compensation or arrangements;
- administering our equity compensation plans;
- overseeing our overall compensation philosophy, compensation plans and benefits programs; and
- preparing the Compensation Committee report included in our annual proxy statement.

Our Compensation Committee operates under a written charter that satisfies the applicable rules and regulations of the SEC and the listing standards of the New York Stock Exchange. A copy of the charter of our Compensation Committee is available on our website at <http://www.boxinvestorrelations.com/>. During our fiscal year ended January 31, 2017, our Compensation Committee held nine meetings.

Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance Committee consists of Ms. Evan and Messrs. Reiner and Stein, with Mr. Reiner serving as the chair. Each member of our Nominating and Corporate Governance Committee meets the requirements for independence under the listing standards of the New York Stock Exchange and SEC rules and regulations. Our Nominating and Corporate Governance Committee is, among other things, responsible for the following:

- evaluating and making recommendations regarding the composition, organization and governance of our Board of Directors and its committees;

- evaluating and making recommendations regarding the creation of additional committees or the change in mandate or dissolution of committees;
- reviewing and making recommendations with regard to our corporate governance guidelines; and
- reviewing and approving conflicts of interest of our directors and corporate officers, other than related person transactions reviewed by our Audit Committee.

Our Nominating and Corporate Governance Committee operates under a written charter that satisfies the applicable listing standards of the New York Stock Exchange. A copy of the charter of our Nominating and Corporate Governance Committee is available on our website at <http://www.boxinvestorrelations.com>. During our fiscal year ended January 31, 2017, our Nominating and Corporate Governance Committee held two meetings.

Compensation Committee Interlocks and Insider Participation

None of the members of our Compensation Committee is or has been an officer or employee of our company. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee (or other board committee performing equivalent functions) of any entity that has one or more of its executive officers serving on our Board of Directors or Compensation Committee.

Considerations in Evaluating Director Nominees

Our Nominating and Corporate Governance Committee uses a variety of methods for identifying and evaluating director nominees. In its evaluation of director candidates, our Nominating and Corporate Governance Committee will consider the current size and composition of our Board of Directors and the needs of our Board of Directors and the respective committees of our Board of Directors. Some of the qualifications that our Nominating and Corporate Governance Committee considers include, without limitation, issues of character, integrity, judgment, diversity of experience, independence, area of expertise, corporate experience, length of service, potential conflicts of interest and other commitments. Nominees must also have the ability to offer advice and guidance to our Chief Executive Officer based on past experience in positions with a high degree of responsibility and be leaders in the companies or institutions with which they are affiliated. Director candidates must have sufficient time available in the judgment of our Nominating and Corporate Governance Committee to perform all Board of Directors and committee responsibilities. Members of our Board of Directors are expected to prepare for, attend, and participate in all Board of Directors and applicable committee meetings. Other than the foregoing, there are no stated minimum criteria for director nominees, although our Nominating and Corporate Governance Committee may also consider such other factors as it may deem, from time to time, are in our and our stockholders' best interests.

Although our Board of Directors does not maintain a specific policy with respect to board diversity, our Board of Directors believes that our Board of Directors should be a diverse body, and our Nominating and Corporate Governance Committee considers a broad range of backgrounds and experiences. In making determinations regarding nominations of directors, our Nominating and Corporate Governance Committee may take into account the benefits of diverse viewpoints. Our Nominating and Corporate Governance Committee also considers these and other factors as it oversees the annual Board of Directors and committee evaluations. After completing its review and evaluation of director candidates, our Nominating and Corporate Governance Committee recommends to our full Board of Directors the director nominees for selection.

Stockholder Recommendations for Nominations to the Board of Directors

Our Nominating and Corporate Governance Committee will consider candidates for director recommended by stockholders holding at least one percent (1%) of the fully diluted capitalization of our company continuously

for at least twelve (12) months prior to the date of the submission of the recommendation, so long as such recommendations comply with our amended and restated certificate of incorporation and amended and restated bylaws and applicable laws, rules and regulations, including those promulgated by the SEC. Our Nominating and Corporate Governance Committee will evaluate such recommendations in accordance with its charter, our amended and restated bylaws, our policies and procedures for director candidates, as well as the regular director nominee criteria described above. This process is designed to ensure that our Board of Directors includes members with diverse backgrounds, skills and experience, including appropriate financial and other expertise relevant to our business. Eligible stockholders wishing to recommend a candidate for nomination should contact our General Counsel or our Legal Department in writing. Such recommendations must include information about the candidate, a statement of support by the recommending stockholder, evidence of the recommending stockholder's ownership of our common stock and a signed letter from the candidate confirming willingness to serve on our Board of Directors. Our Nominating and Corporate Governance Committee has discretion to decide which individuals to recommend for nomination as directors.

Under our amended and restated bylaws, stockholders may also nominate persons for our Board of Directors. Any nomination must comply with the requirements set forth in our amended and restated bylaws and should be sent in writing to our General Counsel or our Legal Department at Box, Inc., 900 Jefferson Ave., Redwood City, California 94063. To be timely for our 2018 annual meeting of stockholders, our General Counsel or Legal Department must receive the nomination no earlier than February 24, 2018 and no later than March 26, 2018.

Communications with the Board of Directors

Interested parties wishing to communicate with our Board of Directors or with an individual member or members of our Board of Directors may do so by writing to our Board of Directors or to the particular member or members of our Board of Directors, and mailing the correspondence to our General Counsel at Box, Inc., 900 Jefferson Ave., Redwood City, California 94063. Our General Counsel, in consultation with appropriate members of our Board of Directors as necessary, will review all incoming communications and, if appropriate, all such communications will be forwarded to the appropriate member or members of our Board of Directors, or if none is specified, to the Chairman of our Board of Directors.

Corporate Governance Guidelines and Code of Business Conduct and Ethics

Our Board of Directors has adopted Corporate Governance Guidelines that address items such as the qualifications and responsibilities of our directors and director candidates and corporate governance policies and standards applicable to us in general. In addition, our Board of Directors has adopted a Code of Business Conduct and Ethics that applies to all of our employees, officers and directors, including our Chief Executive Officer, Chief Financial Officer, and other executive and senior financial officers. The full text of our Corporate Governance Guidelines and our Code of Business Conduct and Ethics is posted on the Corporate Governance portion of our website at <http://www.boxinvestorrelations.com/>. We will post amendments to our Code of Business Conduct and Ethics or waivers of our Code of Business Conduct and Ethics for directors and executive officers on the same website.

Risk Management

Risk is inherent with every business, and we face a number of risks, including strategic, financial, business and operational, legal and compliance, and reputational. We have designed and implemented processes to manage risk in our operations. Management is responsible for the day-to-day management of risks the company faces, while our Board of Directors, as a whole and assisted by its committees, has responsibility for the oversight of risk management. In its risk oversight role, our Board of Directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are appropriate and functioning as designed.

Our Board of Directors believes that open communication between management and our Board of Directors is essential for effective risk management and oversight. Our Board of Directors meets with our Chief Executive Officer and other members of our senior management team at quarterly meetings of our Board of Directors, where, among other topics, they discuss strategy and risks facing the company, as well at such other times as they deem appropriate.

While our Board of Directors is ultimately responsible for risk oversight, our board committees assist our Board of Directors in fulfilling its oversight responsibilities in certain areas of risk. Our Audit Committee assists our Board of Directors in fulfilling its oversight responsibilities with respect to risk management in the areas of internal control over financial reporting and disclosure controls and procedures, legal and regulatory compliance, and discusses with management and the independent auditor guidelines and policies with respect to risk assessment and risk management. Our Audit Committee also reviews our major financial risk exposures and the steps management has taken to monitor and control these exposures. Our Audit Committee also monitors certain key risks on a regular basis throughout the fiscal year, such as risk associated with internal control over financial reporting and liquidity risk. Our Nominating and Corporate Governance Committee assists our Board of Directors in fulfilling its oversight responsibilities with respect to the management of risk associated with board organization, membership and structure, and corporate governance. Our Compensation Committee assesses risks created by the incentives inherent in our compensation policies. Finally, our full Board of Directors reviews strategic and operational risk in the context of reports from the management team, receives reports on all significant committee activities at each regular meeting, and evaluates the risks inherent in significant transactions.

Director Compensation

Under our Outside Director Compensation Policy, members of our Board of Directors who are not employees of Box (“outside directors”) receive compensation in the form of equity and cash, as described below:

Cash Compensation

Each year, each outside director will be eligible to receive a cash retainer of \$30,000 for serving on our Board of Directors. In addition, each year, outside directors will also be eligible to receive the following cash fees for service on the committees of our Board of Directors:

<u>Committee</u>	<u>Committee Member Annual Retainer</u>	<u>Committee Chair Annual Retainer</u>
Audit Committee	\$8,000	\$20,000
Compensation Committee	\$8,000	\$12,000
Nominating and Corporate Governance Committee	\$4,000	\$ 8,000

In addition, each year our Lead Independent Director will be eligible to receive a cash retainer of \$12,000 for service as our Lead Independent Director.

Equity Compensation

Upon joining our Board of Directors, each newly-elected outside director will receive an equity award with a value of \$450,000 (“Initial Award”). The Initial Award will be comprised of stock options and restricted stock units, each having a value of 50% of the aggregate Initial Award. The Initial Award will vest generally over a three-year period, subject to continued service through each vesting date.

On the date of each annual meeting of our stockholders, each outside director will receive an equity award with a value of \$200,000 (“Annual Award”). The Annual Award will be comprised of stock options and restricted stock units, each having a value of 50% of the aggregate Annual Award. The Annual Award will fully

vest upon the earlier of the 12-month anniversary of the grant date or the next annual meeting, in each case, subject to continued service through the vesting date. An outside director will not be eligible for an Annual Award unless the outside director has been a director for at least one full calendar year or since the previous year's annual meeting.

Notwithstanding the vesting schedules described above, the vesting of each equity award will accelerate in full upon a change in control.

The number of restricted stock units subject to an Initial Award or Annual Award will be determined by dividing the specified value of the restricted stock units by the average closing price of a share of our Class A common stock for the 30-trading day period ending the trading day before the grant date. The number of stock options subject to an Initial Award or Annual Award will be determined by multiplying the number of shares of our Class A common stock determined in the preceding sentence by two.

Compensation for Fiscal Year 2017

The following table provides information regarding the total compensation that was earned by each of our non-employee directors in our fiscal year ended January 31, 2017.

<u>Director</u>	<u>Fees Earned or Paid in Cash (\$)</u>	<u>Option Awards(\$)⁽¹⁾</u>	<u>Stock Awards(\$)⁽¹⁾</u>	<u>Total(\$)</u>
Dana Evan ⁽²⁾	54,000	77,167	95,305	226,472
Steven Krausz ⁽²⁾	38,000	77,167	95,305	210,472
Rory O'Driscoll ⁽²⁾	58,000	77,167	95,305	230,472
Gary Reiner ⁽³⁾	—	—	—	—
Josh Stein ⁽²⁾	46,000	77,167	95,305	218,472
Bryan Taylor ⁽³⁾	—	—	—	—

- (1) The amounts reported represent the aggregate grant-date fair value of the stock options and restricted stock units awarded to the director, calculated in accordance with FASB ASC Topic 718. The assumptions used in calculating the grant-date fair value of the stock options and restricted stock units reported in this column are set forth in Note 10 to our audited consolidated financial statements included in our Annual Report on Form 10-K, as filed with the SEC on March 24, 2017.
- (2) As of January 31, 2017, each of Ms. Evan and Messrs. Krausz, O'Driscoll and Stein held an option to purchase 17,034 shares of our Class A Common Stock and 8,517 RSUs. 100% of the shares of our Class A Common Stock subject to these options and underlying the RSUs vest on June 22, 2017.
- (3) Messrs. Reiner and Taylor have waived their cash and equity fees.

Our directors who are also our employees receive no additional compensation for their service as directors. During our fiscal year ended January 31, 2017, Messrs. Levie, Levin and Smith were our employees. See the section titled "Executive Compensation" for additional information about the compensation paid to Messrs. Levie, Levin and Smith.

**PROPOSAL NO. 1
ELECTION OF DIRECTORS**

Our Board of Directors is currently comprised of nine members. In accordance with our amended and restated certificate of incorporation, our Board of Directors is divided into three staggered classes of directors. At the Annual Meeting, three Class III directors will be elected for a three-year term to succeed the same class whose term is then expiring.

Each director's term continues until the election and qualification of his or her successor, or such director's earlier death, resignation, or removal. Any increase or decrease in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of our directors. This classification of our Board of Directors may have the effect of delaying or preventing changes in control of our company.

Nominees

Our Nominating and Corporate Governance Committee has recommended, and our Board of Directors has approved, Rory O'Driscoll, Dylan Smith and Bryan Taylor as nominees for election as Class III directors at the Annual Meeting. If elected, each of Messrs. O'Driscoll, Smith and Taylor will serve as Class III directors until our 2020 annual meeting of stockholders and until their successors are duly elected and qualified. Each of the nominees is currently a director of our company. For information concerning the nominees, please see the section titled "Board of Directors and Corporate Governance."

If you are a stockholder of record and you sign your proxy card or vote by telephone or over the Internet but do not give instructions with respect to the voting of directors, your shares will be voted "For" the election of Messrs. O'Driscoll, Smith and Taylor. We expect that each of Messrs. O'Driscoll, Smith and Taylor will accept such nomination; however, in the event that a director nominee is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee designated by our Board of Directors to fill such vacancy. If you are a street name stockholder and you do not give voting instructions to your broker, bank or other nominee, your broker, bank or other nominee will leave your shares unvoted on this matter.

Vote Required

The election of directors requires a plurality of the voting power of the shares of our common stock present virtually or by proxy and entitled to vote at the Annual Meeting to be approved. Broker non-votes will have no effect on this proposal.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR"
EACH OF THE NOMINEES NAMED ABOVE.**

PROPOSAL NO. 2
APPROVAL OF AN AMENDMENT TO OUR AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION

At the Annual Meeting, our stockholders will be asked to approve a proposal to amend our amended and restated certificate of Incorporation as described below. Our Board of Directors has adopted, subject to approval by our stockholders in accordance with Section 242 of the Delaware General Corporation Law, a resolution approving an amendment to Article V of our amended and restated certificate of incorporation.

Proposed Amendment

General Background

Our Class B Common Stock is entitled to 10 votes per share on all matters put to a vote of our stockholders, and our Class A Common Stock is entitled to one vote per share on all matters put to a vote of our stockholders. Conversion of a share of Class B Common Stock into a share of Class A Common Stock would result in a reduction in voting power from 10 votes per share to one vote per share. As of the Record Date, we had 54,807,227 shares of Class B Common Stock outstanding which are entitled to an aggregate of 548,072,270 votes on all matters presented to stockholders for a vote, and 77,966,423 shares of Class A Common Stock outstanding which are entitled to an aggregate of 77,966,423 votes on all matters presented to the stockholders for a vote. This dual class structure of our common stock has the effect of concentrating voting control with our holders of Class B Common Stock, who held our capital stock prior to the completion of our initial public offering, including certain of our executive officers, employees and directors and their affiliates. Holders of our Class A Common Stock and Class B Common Stock will generally vote together as a single class, unless otherwise required by law or our amended and restated certificate of incorporation. Because the holders of our outstanding Class B Common Stock hold approximately 87.6% of the voting power of our outstanding capital stock as of the Record Date, they have the ability to control the outcome of matters submitted to our stockholders for approval, including the election of our directors and the approval of any change in control transaction in which shares of Class A Common Stock and Class B Common Stock are treated equally, identically and ratably on a per-share basis.

Text of Amendment

In general, Article IV, Section D(3)(b)(i) of our amended and restated certificate of incorporation provides for the automatic conversion of shares of our Class B Common Stock into an equal number of shares of Class A Common Stock upon a Transfer (as such term is defined therein) of such share, subject to limited exceptions, such as certain transfers effected for estate planning or charitable purposes. The proposed amendment to Article V of our amended and restated certificate of incorporation will expand on these exceptions and clearly exclude the entry into support, voting, tender or similar agreements or arrangements in connection with a Change of Control Transaction approved by our Board of Directors from the definition of “Transfer.” “Transfer” is currently defined as follows:

““**Transfer**” of a share of Class B Common Stock shall mean any sale, assignment, transfer, conveyance, hypothecation or other transfer or disposition of such share or any legal or beneficial interest in such share, whether or not for value and whether voluntary or involuntary or by operation of law. A “**Transfer**” shall also include, without limitation, (i) a transfer of a share of Class B Common Stock to a broker or other nominee (regardless of whether or not there is a corresponding change in beneficial ownership) or (ii) the transfer of, or entering into a binding agreement with respect to, Voting Control over a share of Class B Common Stock by proxy or otherwise; *provided, however*, that the following shall not be considered a “**Transfer**”: (a) the grant of a proxy by a Key Holder to a Designated Proxy Holder; (b) the grant of a proxy to officers or directors of the Corporation at the request of the Board of Directors of the Corporation in connection with actions to be taken at an annual or special meeting of stockholders; (c) the pledge of shares of Class B Common Stock by a Class B

Stockholder that creates a mere security interest in such shares pursuant to a *bona fide* loan or indebtedness transaction so long as the Class B Stockholder continues to exercise Voting Control over such pledged shares; *provided, however*, that a foreclosure on such shares of Class B Common Stock or other similar action by the pledge shall constitute a “**Transfer**”; or (d) the fact that, as of the Effective Time or at any time after the Effective Time, the spouse of any Class B Stockholder possesses or obtains an interest in such holder’s shares of Class B Common Stock arising solely by reason of the application of the community property laws of any jurisdiction, so long as no other event or circumstance shall exist or have occurred that constitutes a “**Transfer**” of such shares of Class B Common Stock.”

The proposed amendment would modify the definition of “Transfer” to add an additional clause (e) as follows (as well as other immaterial changes):

“(e) in connection with a Change of Control Transaction that has been approved by the Board of Directors, the entering into a support, voting, tender or similar agreement or arrangement (in each case, with or without the grant of a proxy) that has also been approved by the Board of Directors.”

The entire text of the definition of “Transfer” after the proposed amendment would be as follows:

““**Transfer**” of a share of Class B Common Stock shall mean any sale, assignment, transfer, conveyance, hypothecation or other transfer or disposition of such share or any legal or beneficial interest in such share, whether or not for value and whether voluntary or involuntary or by operation of law. A “**Transfer**” shall also include, without limitation, (i) a transfer of a share of Class B Common Stock to a broker or other nominee (regardless of whether or not there is a corresponding change in beneficial ownership) or (ii) the transfer of, or entering into a binding agreement with respect to, Voting Control over a share of Class B Common Stock by proxy or otherwise. Notwithstanding the foregoing, the following shall not be considered a “**Transfer**”: (a) the grant of a proxy by a Key Holder to a Designated Proxy Holder; (b) the grant of a proxy to officers or directors of the Corporation at the request of the Board of Directors of the Corporation in connection with actions to be taken at an annual or special meeting of stockholders; (c) the pledge of shares of Class B Common Stock by a Class B Stockholder that creates a mere security interest in such shares pursuant to a *bona fide* loan or indebtedness transaction so long as the Class B Stockholder continues to exercise Voting Control over such pledged shares, it being understood that a foreclosure on such shares of Class B Common Stock or other similar action by the pledge shall constitute a “**Transfer**”; (d) the fact that, as of the Effective Time or at any time after the Effective Time, the spouse of any Class B Stockholder possesses or obtains an interest in such holder’s shares of Class B Common Stock arising solely by reason of the application of the community property laws of any jurisdiction, so long as no other event or circumstance shall exist or have occurred that constitutes a “**Transfer**” of such shares of Class B Common Stock; or (e) in connection with a Change of Control Transaction that has been approved by the Board of Directors, the entering into a support, voting, tender or similar agreement or arrangement (in each case, with or without the grant of a proxy) that has also been approved by the Board of Directors.”

Reasons for the Amendment

Our Board of Directors has undertaken a review of our amended and restated certificate of incorporation and has identified that there may be circumstances under which the entry into support, voting, tender or similar agreements or arrangements by holders of our Class B Common Stock in connection with and in support of a change of control transaction approved by the Board of Directors could be considered a technical “Transfer” of the shares of Class B Common Stock subject to such agreements or arrangements, thus potentially causing their automatic conversion into Class A Common Stock. The effect of this would be that the shares subject to such agreements or arrangements would only represent one vote per share rather than 10 votes per share, which in turn would have the effect of potentially significantly redistributing the voting power among the existing holders of our capital stock (in respect of a vote on the change of control transaction and any other matter thereafter submitted for a vote of stockholders).

In the context of a change of control transaction that our Board of Directors has approved, this proposed amendment would more clearly permit the Board of Directors to allow holders of Class B Common Stock to enter into such agreements or arrangements to express their support for any such change of control transaction without potentially triggering the automatic conversion provision and thereby altering the distribution of voting power among our stockholders. Our Board of Directors believes that this proposed amendment may better enable the Company to negotiate a transaction that maximizes value for all stockholders in the event that a potential acquirer would value the certainty of being able to receive a voting agreement from certain holders of our Class B Common Stock.

Material Effects of the Proposed Amendment

If the proposed amendment becomes effective, our Board of Directors would be permitted to allow holders of Class B Common Stock to enter into support, voting, tender or similar agreements or arrangements approved by the Board of Directors in a change of control transaction that has also been approved by the Board of Directors, without the risk of having the shares of Class B Common Stock held by such holders being automatically converted into shares of Class A Common Stock and thereby significantly redistributing the voting power among the existing holders of our capital stock. As of the Record Date, holders of our Class B Common Stock represented 87.6% of the voting power of our Company, and therefore have the ability in the aggregate to control the vote in a change of control transaction. Members of our Board of Directors are themselves, and/or are affiliated with funds that are, holders of shares of Class B Common Stock. See “Interests of Certain Persons” below. With the proposed amendment in effect, such holders may be more clearly able to deliver the required vote in a change of control transaction to a prospective acquirer of our Company so long as our Board of Directors approves the transaction and the support for the transaction by such holders.

Interests of Certain Persons

As of the Record Date, our executive officers and members of our Board of Directors, and their affiliates, collectively beneficially owned 26,878,917 shares of Class B Common Stock, which represented 40.2% of the total voting power of our outstanding capital stock. Information regarding each individual executive officer and director is set forth below:

<u>Name</u>	<u>Shares of Class B Common Stock Beneficially Owned</u>	<u>Percent of Total Voting Power</u>
Aaron Levie	4,957,127	7.63%
Dan Levin	2,269,223	3.57%
Dylan Smith	2,123,072	3.35%
Peter McGoff	330,163	*
Josh Stein	—	—
Dana Evan	129,886	*
Gary Reiner	—	—
Rory O’Driscoll	5,355,671	8.55%
Steven Krausz	11,713,775	18.71%
Bryan Taylor	—	—

* Represents total voting power of less than 1%.

The approval of the proposed amendment to our amended and restated certificate of incorporation will benefit our executive officers and directors by more clearly enabling them to enter into support, voting, tender or similar agreements or arrangements approved by the Board of Directors in a change of control transaction that has also been approved by the Board of Directors, without the risk of losing the high vote characteristics of their shares of Class B Common Stock.

Effectiveness of Proposed Amendment

The proposed amendment will become effective when the certificate of amendment to our amended and restated certificate of incorporation is filed with the Secretary of State of the State of Delaware. We intend to file the certificate of amendment promptly after our stockholders approve the proposed amendment. The proposed certificate of amendment to our amended and restated certificate of incorporation is attached to this proxy statement as Annex A.

Vote Required

The affirmative vote of the holders of a majority of the voting power of our outstanding shares of Class A Common Stock and Class B Common Stock, voting together as a single class, is required to approve the amendment of our amended and restated certificate of incorporation. You may vote “For,” “Against,” or “Abstain” with respect to this proposal. Abstentions and broker non-votes will have the same effect as a vote “Against” this proposal.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR”
THE APPROVAL OF AN AMENDMENT TO OUR AMENDED AND RESTATED CERTIFICATE OF
INCORPORATION.**

PROPOSAL NO. 3
ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”), enables stockholders to approve, on an advisory or non-binding basis, the compensation of our named executive officers as disclosed pursuant to Section 14A of the Exchange Act. This proposal, commonly known as a “Say-on-Pay” proposal, gives our stockholders the opportunity to express their views on our named executive officers’ compensation as a whole. This vote is not intended to address any specific item of compensation or any specific named executive officer, but rather the overall compensation of all of our named executive officers and the philosophy, policies and practices described in this proxy statement.

The Say-on-Pay vote is advisory, and therefore is not binding on us, our Compensation Committee or our Board of Directors. The Say-on-Pay vote will, however, provide information to us regarding investor sentiment about our executive compensation philosophy, policies and practices, which our compensation committee will be able to consider when determining executive compensation for the remainder of the current fiscal year and beyond. Our Board of Directors and our Compensation Committee value the opinions of our stockholders and to the extent there is any significant vote against the compensation of our named executive officer as disclosed in this proxy statement, we will endeavor to communicate with stockholders to better understand the concerns that influenced the vote and consider our stockholders’ concerns, and our compensation committee will evaluate whether any actions are necessary to address those concerns.

At our 2016 annual meeting of stockholders, our stockholders recommended that we hold a Say-on-Pay vote each year. Accordingly, we expect that the next Say-on-Pay vote will take place at our 2018 annual meeting of stockholders.

We believe that the information provided in the section titled “Executive Compensation,” and in particular the information discussed in the section titled “Executive Compensation—Compensation Discussion and Analysis—Compensation Philosophy,” demonstrates that our executive compensation program was designed appropriately and is working to ensure management’s interests are aligned with our stockholders’ interests to support long-term value creation. Accordingly, we ask our stockholders to vote “For” the following resolution at the Annual Meeting:

“RESOLVED, that the stockholders approve, on an advisory basis, the compensation paid to the named executive officers, as disclosed in the proxy statement for the Annual Meeting pursuant to the compensation disclosure rules of the SEC, including the compensation discussion and analysis, compensation tables and narrative discussion, and other related disclosure.”

Vote Required

Approval of the advisory vote on the compensation of our named executive officers requires the approval of a majority of the voting power of the shares of our common stock present virtually or by proxy and entitled to vote at the Annual Meeting. Abstentions are treated as shares present virtually or by proxy and entitled to vote at the Annual Meeting and, therefore, will have the same effect as a vote “Against” this proposal. Broker non-votes will have no effect on the outcome of the vote.

As an advisory vote, this proposal is non-binding. Although the vote is non-binding, our Board of Directors and our Compensation Committee value the opinions of our stockholders, and will consider the outcome of the vote when making future compensation decisions for our named executive officers.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” THE APPROVAL, ON AN
ADVISORY BASIS, ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS.**

**PROPOSAL NO. 4
RATIFICATION OF APPOINTMENT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Our Audit Committee has appointed Ernst & Young LLP (“E&Y”), independent registered public accountants, to audit our consolidated financial statements for our fiscal year ending January 31, 2018. During our fiscal year ended January 31, 2017, E&Y served as our independent registered public accounting firm.

Notwithstanding the appointment of E&Y and even if our stockholders ratify the appointment, our Audit Committee, in its discretion, may appoint another independent registered public accounting firm at any time during our fiscal year if our Audit Committee believes that such a change would be in the best interests of our company and our stockholders. At the Annual Meeting, our stockholders are being asked to ratify the appointment of E&Y as our independent registered public accounting firm for our fiscal year ending January 31, 2018. Our Audit Committee is submitting the appointment of E&Y to our stockholders because we value our stockholders’ views on our independent registered public accounting firm and as a matter of good corporate governance. Representatives of E&Y will be present at the Annual Meeting, and they will have an opportunity to make a statement and will be available to respond to appropriate questions from our stockholders.

If our stockholders do not ratify the appointment of E&Y, our Board of Directors may reconsider the appointment.

Fees Paid to the Independent Registered Public Accounting Firm

The following table presents fees for professional audit services and other services rendered to our company by E&Y for our fiscal years ended January 31, 2016 and 2017.

	<u>2016</u>	<u>2017</u>
Audit Fees ⁽¹⁾	\$2,154,999	\$1,880,000
Audit-Related Fees ⁽²⁾	\$ 222,419	\$ 290,000
Tax Fees ⁽³⁾	\$ 40,015	\$ 189,082
All Other Fees ⁽⁴⁾	<u>\$ 10,000</u>	<u>\$ 7,500</u>
Total Fees	<u>\$2,427,433</u>	<u>\$2,366,582</u>

- (1) Audit Fees consist of professional services provided in connection with the audit of our annual consolidated financial statements and the audit of internal control over financial reporting, the review of our unaudited quarterly consolidated financial statements, and audit services that are normally provided by the independent registered public accounting firm in connection with statutory and regulatory filings or engagements for those fiscal years.
- (2) Audit-Related Fees consist of (a) for fiscal 2016, fees for professional services with respect to the Statement on Standards for Attestation Engagements (SSAE) No. 16 and Trust Services Principles, related to our cloud content management service, and (b) for fiscal 2017, fees related to the performance of the audit or review of our consolidated financial statements that are not reported under “Audit Fees,” and include fees for consultations on accounting issues and our compliance with Section 404 the Sarbanes-Oxley Act of 2002.
- (3) Tax Fees consist of fees for professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal, state and international tax compliance.
- (4) All Other Fees consist of professional services rendered in connection with our Registration Statement on Form S-8.

Auditor Independence

Pursuant to its charter and the policy described further below, our Audit Committee pre-approves audit and non-audit services rendered by our independent registered public accounting firm, E&Y. Our Audit Committee

has determined that the rendering of non-audit services for tax compliance services and tax consulting advice by E&Y is compatible with maintaining the independence of E&Y.

Audit Committee Policy on Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm

Our Audit Committee has established a policy governing our use of the services of our independent registered public accounting firm. Under this policy, our Audit Committee is required to pre-approve all audit and non-audit services performed by our independent registered public accounting firm in order to ensure that the provision of such services does not impair the public accountants' independence. All fees paid to E&Y for our fiscal years ended January 31, 2016 and 2017 were pre-approved by our Audit Committee.

Vote Required

The ratification of the appointment of E&Y as our independent registered public accounting firm requires the affirmative vote of a majority of the voting power of the shares of our common stock present virtually or by proxy at the Annual Meeting and entitled to vote thereon. Abstentions will have the effect of a vote "Against" the proposal and broker non-votes will have no effect.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR"
THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP.**

REPORT OF THE AUDIT COMMITTEE

The Audit Committee is a committee of the Board of Directors comprised solely of independent directors as required by the listing standards of the New York Stock Exchange and rules and regulations of the Securities and Exchange Commission (“SEC”). The Audit Committee operates under a written charter approved by the Board of Directors, which is available on the company’s website at <http://www.boxinvestorrelations.com>. The composition of the Audit Committee, the attributes of its members and the responsibilities of the Audit Committee, as reflected in its charter, are intended to be in accordance with applicable requirements for corporate audit committees. The Audit Committee reviews and assesses the adequacy of its charter and the Audit Committee’s performance on an annual basis.

With respect to the company’s financial reporting process, the management of the company is responsible for (1) establishing and maintaining internal controls and (2) preparing the company’s consolidated financial statements. The company’s independent registered public accounting firm, Ernst & Young LLP (“E&Y”), is responsible for performing an independent audit of the company’s consolidated financial statements and of the company’s internal control over financial reporting in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States) and to issue a report thereon. It is the responsibility of the Audit Committee to oversee these activities. It is not the responsibility of the Audit Committee to prepare the company’s financial statements. These are the fundamental responsibilities of management. In the performance of its oversight function, the Audit Committee has:

- reviewed and discussed the audited financial statements with management and E&Y;
- discussed with E&Y the matters required to be discussed by the statement on Auditing Standards No. 1301, *Communications with Audit Committees*, as adopted by the Public Company Accounting Oversight Board; and
- received the written disclosures and the letter from E&Y required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant’s communications with the Audit Committee concerning independence, and has discussed with E&Y its independence.

Based on the Audit Committee’s review and discussions with management and E&Y, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended January 31, 2017 for filing with the Securities and Exchange Commission.

Respectfully submitted by the members of the Audit Committee of the Board of Directors:

Dana Evan (Chair)
Steven Krausz
Rory O’Driscoll

This report of the Audit Committee is required by the SEC and, in accordance with the SEC’s rules, will not be deemed to be part of or incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933, as amended (“Securities Act”), or under the Securities Exchange Act of 1934, as amended (“Exchange Act”), except to the extent that we specifically incorporate this information by reference, and will not otherwise be deemed “soliciting material” or “filed” under either the Securities Act or the Exchange Act.

EXECUTIVE OFFICERS

The following table identifies certain information about our executive officers as of March 31, 2017. Our executive officers are appointed by, and serve at the discretion of, our Board of Directors. There are no family relationships among any of our directors or executive officers.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Aaron Levie	32	Chairman and Chief Executive Officer
Dan Levin	53	President, Chief Operating Officer and Director
Dylan Smith	31	Chief Financial Officer and Director
Peter McGoff	52	Senior Vice President, General Counsel and Corporate Secretary

Aaron Levie co-founded our company and has served as our Chairman since December 2013 and as our Chief Executive Officer and a member of our Board of Directors since April 2005. Mr. Levie attended the University of Southern California from 2003 to 2005.

Dan Levin has served as our President and Chief Operating Officer since December 2013, as our Chief Operating Officer since July 2010 and as a member of our Board of Directors since January 2010. From March 2009 to July 2010, Mr. Levin served as an advisor to various technology start-ups, including our company since September 2009. From July 2008 to March 2009, Mr. Levin served as the interim Chief Executive Officer of Picateers Inc., an online photo sales company. Previously, Mr. Levin served in various executive roles at Intuit Inc., a business and financial management solutions company, most recently as Vice President and General Manager, Healthcare. Mr. Levin holds a B.A. in the independent concentration of Applications of Computer Graphics to Statistical Data Analysis from Princeton University.

Dylan Smith co-founded our company and has served as our Chief Financial Officer and as a member of our Board of Directors since April 2005. Mr. Smith holds a B.A. in Economics from Duke University.

Peter McGoff has served as our Senior Vice President, General Counsel and Corporate Secretary since April 2012. From June 2000 to April 2012, Mr. McGoff served as Senior Vice President and General Counsel of Informatica Corporation, an enterprise data integration software company. Mr. McGoff holds a B.S. in Finance from California State University, Sacramento, a J.D. from the University of the Pacific, and an LL.M. in Intellectual Property Law from the London School of Economics.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis describes the material elements of our executive compensation program for our named executive officers. For our fiscal year ended January 31, 2017, our named executive officers were:

- Aaron Levie, our Chairman and Chief Executive Officer;
- Dan Levin, our President and Chief Operating Officer;
- Dylan Smith, our Chief Financial Officer;
- Peter McGoff, our Senior Vice President, General Counsel and Corporate Secretary; and
- Graham Younger, who served as our Executive Vice President, Worldwide Field Operations until June 30, 2016, the date of his resignation from Box.

Executive Summary

Fiscal 2017 Performance

Box provides a leading cloud content management platform that enables organizations of all sizes to securely manage cloud content while allowing easy, secure access and sharing of this content from anywhere, on any device. With our Software-as-a-Service (SaaS) cloud content management platform, users can collaborate on content both internally and with external parties, automate content-driven business processes, develop custom applications, and implement data protection, security and compliance features to comply with internal policies and industry regulations. Our platform enables a broad set of business use cases across an enterprise, across many file formats and media types, and a broad range of user experiences. Our platform integrates with leading enterprise business applications, and is compatible with multiple application environments, operating systems and devices, ensuring that workers have access to their critical business content whenever and wherever they need it.

For our fiscal year ended January 31, 2017, we achieved strong growth and significantly improved business results that provide context for stockholders reviewing our executive compensation disclosures, including:

- *Revenue*: Our revenue was \$398.6 million, an increase of 32% over our revenue of \$302.7 million in our prior fiscal year.
- *Billings*: Our billings were \$454.2 million, an increase of 23% over our billings of \$369.1 million in our prior fiscal year.
- *Non-GAAP Operating Income (Loss)*: Our non-GAAP operating loss was \$70.6 million, or 18% of revenue, which was a significant improvement over our prior fiscal year non-GAAP operating loss of \$134.3 million, or 44% of revenue.

Each of revenue, billings and non-GAAP operating income (loss) is an element of our cash incentive compensation plan for fiscal year 2017. Please see the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K filed with the SEC on March 24, 2017, for a more detailed discussion of our fiscal 2017 financial results and, beginning on page 62 of that Annual Report on Form 10-K, a discussion regarding, and reconciliation of, our non-GAAP to GAAP financial measures.

Fiscal 2017 Executive Compensation Highlights

For our fiscal year ended January 31, 2017, the key highlights of our executive compensation program included:

- Pay for Performance – Annual Incentive Compensation Payouts. A significant portion of our executives’ compensation is in the form of cash incentive compensation to promote our pay for

performance philosophy. We exceeded each of the corporate goals that are linked to our cash incentive compensation plan for fiscal year 2017, which resulted in the payouts described below to our named executive officers based on this strong performance.

- Peer Group. We modified our compensation peer group to add three new companies to take the place of three former public companies that had been acquired and were no longer operating as standalone companies. Consistent with the other companies in our peer group, the three new companies were selected to reflect our current revenue, market capitalization and growth trajectory.
- Increases to Target Cash Compensation. We maintained base salaries for each of our named executive officers (other than Mr. Younger) but increased their target bonus amounts, which raised the overall target cash compensation of each of our named executive officers to make their cash compensation more competitive with similarly situated executives of our compensation peer group.
- Equity Award Grants. Messrs. Levie and Smith requested that any equity awards they would have otherwise been granted be re-allocated to the overall equity budget used for issuance to our employees. We granted stock options to Mr. Levin and restricted stock units to Messrs. McGoff and Younger, all of which are scheduled to vest over a four-year period, in order to increase their total unvested equity awards to a level competitive with that provided by companies in our compensation peer group. The stock options granted to Mr. Levin will only provide value if the value of our stock increases over the life of the stock options.
- Below Market CEO Compensation. Throughout his tenure as our Chief Executive Officer, Mr. Levie has expressed a preference to our Compensation Committee that his cash compensation be modest so that we could invest in other areas of the business. Mr. Levie maintained this preference in fiscal year 2017 and, as such, his target total cash compensation is well below the 25th percentile in our compensation peer group.

Compensation Philosophy

Our executive compensation program is structured to provide compensation plans, policies, and programs that attract and retain the best available personnel for positions of substantial responsibility, provide incentives for such persons to perform to the best of their abilities, and to promote the success of our business. The following table identifies the main elements of our executive compensation program and the reasons for each:

<u>Element</u>	<u>Reasons for Providing Element</u>
Base Salary	Provide our named executive officers compensation for their services based on their knowledge, skills, past performance, and experience
Cash Incentive Compensation	Encourage our named executive officers to achieve short-term individual and company goals that drive our growth
Equity	Provide long-term retention and incentives to our named executive officers that align their interests with our stockholders' interests
Welfare and Other Employee Benefits	Provide for our named executive officers' health and well-being
Change in Control and Severance Benefits	Provide our named executive officers with a measure of security in order to minimize any distractions related to termination of employment and/or change in control and allow our named executive officers to focus on their duties and responsibilities

Impact of 2016 Stockholder Advisory Vote on Compensation of Named Executive Officers

We conducted our first Say-on-Pay vote at our 2016 annual meeting of stockholders. 99.6% of the votes cast by stockholders were in favor of approving the compensation of our named executive officers. While evaluating our executive compensation program in 2016, our Compensation Committee considered the results of this vote and decided to maintain the compensation philosophy and objectives and general approach to executive compensation from the prior year.

Processes and Procedures for Compensation Decisions

Our Compensation Committee is responsible for the compensation program for our executive officers and reports to our Board of Directors on its discussions, decisions and other actions. Typically, our President and Chief Operating Officer (along with our Chief Financial Officer, Senior Vice President and General Counsel, and certain of our other management team members) attends Compensation Committee meetings and is involved in the determination of compensation for our other executive officers. Our President and Chief Operating Officer, in consultation with our Chief Executive Officer and Chief Financial Officer, makes recommendations to our Compensation Committee regarding short-term and long-term compensation for all executive officers (other than himself and our Chief Executive Officer) based on our results, an individual executive officer's contribution toward these results and performance toward individual goal achievement. Our Compensation Committee then reviews the recommendations and other data provided by outside compensation advisors, as well as management, and makes decisions as to compensation for each executive officer.

Our Compensation Committee is authorized to retain the services of one or more executive compensation advisors, as it sees fit, in connection with the establishment of our compensation programs and related policies. For our fiscal year ended January 31, 2017, our Compensation Committee retained Compensia, a national compensation consulting firm, to provide it with information, recommendations, and other advice relating to executive compensation on an ongoing basis. Accordingly, Compensia now serves at the discretion of our Compensation Committee. Among other things, our Compensation Committee engaged Compensia to assist in developing and updating an appropriate group of peer companies to help us determine the appropriate level of overall compensation for our executive officers and assess each separate element of compensation, with a goal of ensuring that the compensation we offer to our executive officers is competitive, fair, motivating and retentive.

Peer Group Compensation Data

With Compensia's assistance, our Compensation Committee approved a group of public companies to be included when conducting a competitive market analysis of executive officer compensation. For our compensation decisions made prior to June 2016, which included the target total cash compensation increases approved in March 2016 and April 2016, our compensation peer group was made up of publicly-traded companies in the software & services or technology hardware & equipment industries that generally had revenue between \$75 million and \$500 million, experienced strong year-over-year growth in revenue, and had a market capitalization between \$900 million and \$8.5 billion.

In June 2016, our Compensation Committee re-analyzed our compensation peer group to inform its executive compensation review and, in light of the acquisition of three companies in our peer group, added three new companies to our compensation peer group. This modified compensation peer group is made up of publicly-traded companies in the software & services or technology hardware & equipment industries that generally had revenue between \$100 million and \$800 million, experienced strong year-over-year growth in revenue, and had a market capitalization between \$500 million and \$7 billion. The two compensation peer groups used in fiscal 2017 were:

<u>Compensation Peer Group Entering Fiscal 2017</u>		<u>Compensation Peer Group Revised in Fiscal 2017 for Decisions after May 2016</u>
Barracuda Networks, Inc.		Barracuda Networks, Inc.
Cornerstone OnDemand Inc.		Cornerstone OnDemand Inc.
Demandware, Inc.	Removed	
FireEye, Inc.		FireEye, Inc.
Gigamon Inc.		Gigamon Inc.
Imperva Inc.		Imperva Inc.
Infoblox Inc.		Infoblox Inc.
	Added	LogMeIn, Inc.
Marketo, Inc.	Removed	
New Relic, Inc.		New Relic, Inc.
Nimble Storage, Inc.		Nimble Storage, Inc.
Proofpoint Inc.		Proofpoint Inc.
SolarWinds, Inc.	Removed	
	Added	RingCentral, Inc.
Splunk Inc.		Splunk Inc.
Tableau Software Inc.		Tableau Software Inc.
Yelp Inc.		Yelp Inc.
Zendesk, Inc.		Zendesk, Inc.

Our Compensation Committee believed these companies were appropriate for our compensation peer group because they were similarly sized, operated in the same or similar industries as us, had similar growth trajectories, and reflected our competitive market for senior executives.

In setting the various elements of compensation for our named executive officers, our Compensation Committee reviewed base salary, target annual incentive compensation opportunity, target total cash compensation (*i.e.*, base salary plus target incentive opportunity), annual long-term incentive, and total direct compensation values for our named executive officers and those of similarly situated executives of our compensation peer group. Compensia provided data at the 25th, 50th, 60th, and 75th percentiles for such compensation, and our Compensation Committee used this data as a reference during our fiscal year ended January 31, 2017. Our Compensation Committee did not benchmark any compensation element to a specific percentile, and our Compensation Committee instead set our named executive officers' compensation at levels it deemed appropriate after taking into account such other factors as each of our named executive officers' contributions to us, our short-term and long-term objectives, and prevailing market conditions.

Executive Compensation Program Elements

The following sections describe each element of our executive compensation program, provide the rationale for each such element, and explain how our Compensation Committee determined compensation amounts and awards for our fiscal year ended January 31, 2017.

Base Salary

Base salary is the main fixed element of our named executive officers' cash compensation. Base salary compensates our named executive officers for services they provide to us during the fiscal year. Our Compensation Committee typically performs an annual review during which it considers adjustments to our named executive officers' base salaries after taking into account such factors as the prevailing market conditions and the named executive officer's responsibilities, knowledge, skills, experience, and performance. These adjustments allow us to remain competitive in attracting and retaining executive talent.

In fiscal year 2017, we maintained base salaries for each of our named executive officers (other than Mr. Younger) but increased their target bonus amounts, which raised the overall target cash compensation of each of our named executive officers to make their cash compensation more competitive with similarly situated executives of our compensation peer group.

The base salary of each named executive officer who remained with us throughout fiscal year 2017 is listed in the table below.

<u>Named Executive Officer</u>	<u>Base Salary For Fiscal 2017</u>
Mr. Levie	\$180,000
Mr. Levin	\$300,000
Mr. Smith	\$300,000
Mr. McGoff	\$320,000

In fiscal year 2017, Mr. Younger received an increase in base salary from \$315,000 to \$337,500 to be more competitive with sales executives at the companies in our compensation peer group.

The total base salaries paid to our named executive officers during our fiscal year ended January 31, 2017 are listed in the "Summary Compensation Table" below.

Bonuses

In February 2016, Mr. McGoff was awarded a \$15,000 discretionary bonus for his role in supporting our partnership efforts and related corporate activities. This amount is listed in the "Summary Compensation Table" below in the "Bonus" column.

Non-Equity Incentive Plan Compensation

We use performance-based cash incentives to motivate our named executive officers to achieve our annual financial and operational objectives, while making progress towards our longer-term strategic and growth goals. Typically, near the beginning of each fiscal year, our Compensation Committee adopts the performance criteria and targets for the incentive compensation plan for that fiscal year, which identifies the plan participants and establishes the target cash incentive opportunity for each participant, the performance measures and the associated target levels for each measure, and the potential payouts based on actual performance for the fiscal year.

Fiscal 2017 Bonus Plan.

- *Overview & Structure.* In April 2016, our Compensation Committee adopted and approved the specific performance criteria and targets for fiscal 2017 under our omnibus Executive Incentive Plan (the "Fiscal 2017 Executive Bonus Plan"). The Fiscal 2017 Executive Bonus Plan provided for potential performance-based incentive payouts to all non-sales employees at the grade of senior director or

higher, including our named executive officers, except Mr. Younger, our Executive Vice President, Worldwide Field Operations, who, as our sales leader, had separate performance criteria and targets for fiscal 2017 (the “Fiscal 2017 Worldwide Field Operations Bonus Plan”). Mr. Younger participated in this separate component because the Compensation Committee believed that his sales position and responsibilities required a different incentive focus than the other named executive officers.

The Fiscal 2017 Executive Bonus Plan and the Fiscal 2017 Worldwide Field Operations Bonus Plan each provided opportunities for cash incentive compensation payouts based on our actual achievement of pre-established corporate financial objectives. The target levels for the financial objectives were set at levels determined to be challenging and requiring substantial skill and effort on the part of senior management. The Fiscal 2017 Executive Bonus Plan provided for an annual performance period with annual payouts and the Fiscal 2017 Worldwide Field Operations Bonus Plan provided for quarterly performance periods and quarterly payouts (with the final quarterly payment to be based on a cumulative annual target and offset by amounts paid for the first three quarters). An annual performance period was selected for our non-sales named executive officers because it gave our Compensation Committee a full year to assess performance against our annual operating plan.

- Target Annual Incentive Compensation Opportunities.* In March 2016, in connection with its review of our executive compensation program, our Compensation Committee approved the target annual incentive compensation opportunities of our named executive officers, as set forth in the table below. In setting the target annual incentive compensation opportunities, our Compensation Committee considered the scope of each named executive officer’s performance, individual contributions, responsibilities, experience, prior annual incentive compensation amount, and peer group market data. Our Compensation Committee has set the target annual incentive compensation opportunities for our named executive officers as percentages of their base salaries paid throughout the year. For fiscal year 2017, our Compensation Committee increased the percentages for our named executive officers (other than Mr. Younger) by 5 percentage points from those determined for fiscal year 2016 because it determined that such increases were generally necessary to make these named executive officers’ target annual incentive compensation opportunities more competitive with the target annual incentive compensation opportunities provided by peer companies to similarly situated executives. The target annual cash incentive compensation opportunities established for fiscal year 2017 for our named executive officers who remain with us were:

<u>Named Executive Officer</u>	<u>Fiscal 2017 Target Annual Incentive Compensation Opportunity (as a % of base salary earned during Fiscal 2017)</u>	<u>Fiscal 2017 Target Annual Incentive Compensation Opportunity</u>
Mr. Levie	55%	\$ 99,000
Mr. Levin	55%	\$165,000
Mr. Smith	55%	\$165,000
Mr. McGoff	45%	\$144,000

- Corporate Performance Measures.* For purposes of measuring performance for the Fiscal 2017 Executive Bonus Plan, our Compensation Committee selected revenue and non-GAAP operating income as the corporate performance measures that best supported our annual operating plan and enhanced long-term value creation. We define (i) “revenue” as GAAP revenue as reflected in our quarterly and annual financial statements; and (ii) non-GAAP operating income as GAAP operating income as reflected in our quarterly and annual financial statements adjusted to exclude expenses related to stock-based compensation, intangible assets amortization, and as applicable, other special items. Each element was weighted equally under the Fiscal 2017 Executive Bonus Plan.

The targets required for 100% achievement under our Fiscal 2017 Executive Bonus Plan and our results were:

<u>Performance Measure</u>	<u>Target</u>	<u>Result</u>	<u>Achievement of Target</u>
Revenue	\$ 392.0	\$398.6	101.7%
Non-GAAP Operating Income (Loss)	\$(104.9)	\$(70.6)	132.7%

For purposes of funding the Fiscal 2017 Worldwide Field Operations Bonus Plan, our Compensation Committee selected billings and non-GAAP operating income as the corporate performance measures. For Mr. Younger, billings was selected instead of revenue because billings were a more accurate reflection of his performance for a given quarter and direct contributions to our business in the sales function. We define “billings” as our revenue plus the change in deferred revenue in the period. The non-GAAP operating income performance measure in the Fiscal 2017 Worldwide Field Operations Bonus Plan was the same as in the Fiscal 2017 Executive Bonus Plan. Each element was weighted equally under the Fiscal 2017 Worldwide Field Operations Bonus Plan. Our achievement led to the applicable payout for Mr. Younger disclosed in the “Non-Equity Incentive Plan Compensation” column of the “Summary Compensation Table.”

- *Non-Sales Executive Methodology.* Our Compensation Committee assesses performance and determines payouts under either of our bonus plans in a two-part process: (1) first, our Compensation Committee measures actual performance against the pre-established goals for the performance period; and (2) second, after the end of the performance period, our Compensation Committee exercises discretion to determine the actual payout. As a threshold matter, our named executive officers participating in the Fiscal 2017 Executive Bonus Plan were eligible for annual incentive compensation payouts only to the extent that we met or exceeded 95% of the applicable performance target for our fiscal year ended January 31, 2017, as set forth in our Fiscal 2017 Executive Bonus Plan. A high threshold is required to ensure that significant achievement is prerequisite to receive any incentive payment. With respect to the revenue component, achievement percentage equals payment percentage up until 103% achievement, and achievement in excess of 103% may be rewarded using an “accelerator” where each point of performance above 103% achievement increases payout percentage by two percentage points. With respect to the non-GAAP operating income component, achievement percentage equals payment percentage up until 100% achievement, and achievement in excess of 100% is increased by 0.5 percentage points for each point of performance above 100%, up to a maximum payout percentage of 110%.
- *Sales Executive Methodology.* Mr. Younger was eligible for quarterly payments: (1) with respect to the billings component of his bonus, only to the extent that we met or exceeded 60% of the billings target for the applicable quarter as set forth in the Fiscal 2017 Worldwide Field Operations Bonus Plan; and (2) with respect to the non-GAAP operating income component of his bonus, only to the extent we met or exceeded 95% of the applicable performance target.
- *Caps on Payment.* Under both plans, the cap on total payouts of the non-GAAP operating income component was set to manage potential incentive compensation costs and maintain appropriate incentives for our named executive officers.
- *Successful Performance in Fiscal 2017 and Payout.*

Fiscal 2017 Executive Bonus Plan. For Fiscal 2017, we exceeded the Fiscal 2017 Executive Bonus Plan as follows: (1) approximately 101.7% achievement in revenue and (2) approximately 132.7% achievement in non-GAAP operating income. The revenue measure achievement resulted in a payout percentage of 101% of target and the non-GAAP operating income measure achievement resulted in a payout percentage of 110% of target. As each metric was weighted 50%, this resulted in a calculated payout percentage of approximately 105.5%. The Compensation Committee paid Messrs. Levie, Levin and Smith amounts based on the calculated payout percentage and rounded to an appropriate thousand, as set forth in the table below. With respect to Mr. McGoff, the Compensation Committee considered his strong individual performance in

light of the breadth of his responsibility heading the legal, compliance, security, sourcing and workplace services functions, and determined to pay him at 138.8% of his target. The total payouts to our named executive officers under the Fiscal 2017 Executive Bonus Plan were:

<u>Named Executive Officer</u>	<u>Target Annual Incentive Compensation Opportunity</u>	<u>Actual Incentive Compensation</u>
Mr. Levie	\$ 99,000	\$105,000
Mr. Levin	\$165,000	\$174,000
Mr. Smith	\$165,000	\$174,000
Mr. McGoff	\$144,000	\$200,000

Fiscal 2017 Worldwide Field Operations Bonus Plan. With respect to the Fiscal 2017 Worldwide Field Operations Bonus Plan, we paid Mr. Younger \$83,181 for his performance in the only full quarter he was employed by us. Our Compensation Committee did not exercise its discretion to adjust payments from the calculated percentage of Mr. Younger’s bonus.

The cash incentive awards earned by our named executive officers during our fiscal year ended January 31, 2017, are listed in the “*Summary Compensation Table*” below.

Equity Awards

The Compensation Committee grants equity awards to all of our employees, including our named executive officers, so that their long-term interests are aligned with our stockholders’ interests.

The Compensation Committee determines the size of the equity awards that we grant to our named executive officers in connection with their hire through arm’s-length negotiation, taking into account such factors as the prevailing market conditions, market data for new-hire awards, the named executive officer’s expected cash compensation, the equity award’s potential incentive and retention value, and the named executive officer’s prospective role and responsibilities.

The Compensation Committee also periodically grants equity awards to our named executive officers in connection with promotions, as additional incentive to continue service with us, or to recognize exceptional corporate and individual performance. The Compensation Committee generally does not apply a fixed formula when determining the size of these equity awards because we grant an amount of equity that properly rewards the named executive officer for his or her contribution to the growth in our long-term stockholder value. In doing so, the Compensation Committee takes into consideration factors such as the economic value of the named executive officer’s unvested equity awards and the ability of this equity to satisfy our retention objectives; the named executive officer’s performance, contributions, responsibilities, and experience; the equity awards granted by our compensation peer group to similarly situated executives; a compensation analysis performed by Compensia; the equity award recommendations of our President and Chief Operating Officer; and internal equity considerations.

For fiscal year 2017, Messrs. Levie and Smith requested that any equity awards they would have otherwise been granted be re-allocated to the overall equity budget for issuance to our employees. Our Compensation Committee honored their request and, as such, they did not receive any equity awards in fiscal 2017.

In May 2016, after considering the peer group data provided by Compensia, the unvested equity award holding value and the anticipated future contributions of our named executive officers, our Compensation Committee decided to grant refresh equity awards to Messrs. Levin, McGoff and Younger at a level competitive with the annual long-term incentives provided by the companies in our compensation peer group to similarly situated executives, as follows: (i) a stock option to Mr. Levin covering 300,000 shares, (ii) an award of 67,500 restricted stock units to Mr. McGoff and (iii) an award of 40,000 restricted stock units to Mr. Younger. Mr. Levin

was granted stock options instead of restricted stock units because the Committee believed it appropriate to more directly tie Mr. Levin's incentive opportunity to increasing in stockholder value. Mr. Levin's stock option has an exercise price per share of \$12.09 and vested as to 1/4th of the option on March 20, 2017, and 1/48th of the option is scheduled to vest each full month thereafter, subject to Mr. Levin's continued service with us through the applicable vesting date. In addition, our Compensation Committee determined that the unvested equity awards held by Messrs. McGoff and Younger represented substantially less value than the unvested equity awards held by similarly situated executives. To improve retention of these named executive officers, and particularly Mr. McGoff, whose scope of responsibilities was significantly greater than when he initially joined Box, our Compensation Committee decided to grant the following equity awards: (i) an award of 107,500 restricted stock units to Mr. McGoff and (ii) an award of 60,000 restricted stock units to Mr. Younger. In addition, the stock option granted to Mr. Levin will, to the extent vested, be exercisable until the earlier of (a) the date that is thirty (30) months after Mr. Levin's last day of employment or of providing services to Box, whichever is later, and (b) May 24, 2026. Each award of restricted stock units vested as to 1/4th of the award on March 20, 2017, and 1/16th of each award is scheduled to vest each quarter thereafter, subject to the applicable named executive officer's continued service with us through the applicable vesting date.

Welfare and Other Employee Benefits

We have a 401(k) Savings Plan (the "401(k) Plan") which qualifies as a tax-qualified retirement plan under Section 401(k) of the Internal Revenue Code. Under the 401(k) Plan, participating employees may elect to contribute up to 100% of their eligible compensation, subject to certain limitations. We have not made any matching contributions to date. As a tax-qualified retirement plan, contributions to the 401(k) Plan and earnings on those contributions are not taxable to our employees until they are distributed from the 401(k) Plan, and any contributions we make are deductible by us when they are made.

Our named executive officers are also entitled to participate in the employee benefit plans that are available to our U.S.-based, full-time employees, on the same terms and conditions as such other employees participate. These benefit plans include health, dental and vision insurance; medical and dependent care flexible spending accounts; short- and long-term disability insurance; life insurance; and accidental death and dismemberment insurance, which are generally consistent with those offered by companies that we compete with for employees. For our fiscal year ended January 31, 2017, we also paid certain amounts on behalf of our named executive officers for basic life insurance, as indicated in the "*Summary Compensation Table*" below.

Perquisites and Other Personal Benefits

We generally do not provide perquisites or other personal benefits to our named executive officers, but we may provide perquisites or other personal benefits in the future for purposes of recruitment, motivation, or retention; to assist an individual named executive officer in the performance of his or her duties; and in other limited circumstances. Our Compensation Committee will periodically review and approve all future practices concerning perquisites and other personal benefits.

Change in Control and Severance Arrangements

We have entered into change in control and severance agreements, or change in control agreements, with our named executive officers, which require us to make specific payments and benefits in connection with the termination of such named executive officers' employment under certain circumstances. We believe that these change in control agreements provide retention value by encouraging our named executive officers to continue service with us and increase stockholder value by reducing any potential distractions caused by the possibility of an involuntary termination of employment or a potential change in control, allowing our named executive officers to focus on their duties and responsibilities. For a summary of the material terms and conditions of these severance and change in control arrangements, see the section titled "Potential Payments upon Termination or Change in Control" contained in this proxy statement.

Other Compensation Policies

Our insider trading policy prohibits all employees including our named executive officers from engaging in the following activities with respect to our common stock: trading in derivative securities, hedging transactions, short sales, pledging stock as collateral, or holding stock in a margin account. From time to time, our officers and directors may elect to enter into 10b5-1 trading plans. As of May 1, 2017, Messrs. Levin and Smith had active 10b5-1 trading plans. We have not adopted policies with respect to minimum stock ownership requirements for our named executive officers or policies that allow us to recover any cash or equity-based incentive compensation from our named executive officers when the payment of such compensation was based upon financial results that were subsequently the subject of a financial restatement.

Tax and Accounting Considerations

Deductibility of Executive Compensation

Section 162(m) of the Internal Revenue Code (“Section 162(m)”) generally limits the amount of our federal income tax deductions for compensation paid to our Chief Executive Officer and certain of our most highly-compensated executive officers in any taxable year to \$1 million per person. Generally, we may deduct compensation exceeding this limit only if it is “performance-based compensation” that satisfies the conditions of an exemption from Section 162(m). The compensation income realized upon the exercise of stock options granted under a stockholder-approved stock option plan is generally treated as performance-based compensation if the options are granted by a committee consisting of outside directors and certain other conditions are satisfied.

Our Compensation Committee has not adopted a policy that requires that all compensation paid to our named executive officers be fully deductible. Our Compensation Committee is aware of the benefit of being able to fully deduct the compensation paid to our named executive officers, but our Compensation Committee intends to continue to compensate our named executive officers consistent with the best interests of our company and our stockholders even if such compensation is not fully deductible because our Compensation Committee believes that we must retain the flexibility to compensate our named executive officers in a manner that best promotes our business objectives.

“Parachute Payments” and Deferred Compensation

Certain service providers may be subject to an excise tax under Section 4999 of the Internal Revenue Code if they receive payments or benefits in connection with a change in control that exceeds certain prescribed limits, and we, or a successor, may forfeit a deduction on the amounts subject to this excise tax under Section 280G of the Internal Revenue Code. Section 409A of the Internal Revenue Code (“Section 409A”) imposes significant additional taxes on a service provider if the service provider receives “deferred compensation” that does not meet the requirements of Section 409A.

In our fiscal year ended January 31, 2017, we did not provide (and did not have any agreements or obligations to provide) any of our named executive officers with a “gross-up” payment or other reimbursement for any excise tax liability that he might owe under Section 4999 or for any additional tax that he might owe under Section 409A.

Accounting Considerations

Authoritative accounting guidance on stock compensation requires measurement of the compensation expense for all share-based awards made to employees (such as our named executive officers) and directors based on the grant date “fair value” of the awards. Even though our named executive officers and directors may never realize any value from their equity awards, these values have been calculated for accounting purposes and reported in the tables below. This guidance also requires us to recognize the compensation cost of share-based awards in our income statements over the period that the named executive officer or director is required to continue service with us in order to vest in the equity award.

Risk Considerations

Our Compensation Committee reviews and discusses with management the risks arising from our compensation philosophy and practices applicable to all employees to determine whether they encourage excessive risk-taking and to evaluate compensation policies and practices that could mitigate such risks. In addition, our Compensation Committee has engaged Compensia to independently review our executive compensation program. Based on these reviews, our Compensation Committee structures our executive compensation program to encourage our named executive officers focus on both short-term and long-term success. We therefore do not believe that our executive compensation program creates risks that are reasonably likely to have a material adverse effect on us.

Compensation Committee Report

Our Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis provided above with management. Based on such review and discussion, our Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and our Annual Report on Form 10-K for our fiscal year ended January 31, 2017.

Respectfully submitted by the members of our Compensation Committee of the Board of Directors:

- Josh Stein (Chair)
- Rory O’Driscoll
- Bryan Taylor

Summary Compensation Table for Fiscal Year 2017

Name and Principal Position	Year	Salary(\$)	Bonus(\$)⁽¹⁾	Stock Awards(\$)⁽²⁾	Option Awards(\$)⁽²⁾	Non-Equity Incentive Plan Compensation (\$)⁽³⁾	All Other Compensation (\$)⁽⁴⁾	Total Compensation (\$)
Aaron Levie <i>Chief Executive Officer</i>	2017	180,000	—	—	—	105,000	400	285,400
	2016	169,583	—	—	—	90,000	272	259,855
	2015	155,000	38,750	—	—	—	272	194,022
Dan Levin <i>Chief Operating Officer</i>	2017	300,000	—	—	1,554,240	174,000	2,328	2,030,568
	2016	289,583	—	—	376,880	150,000	2,328	818,791
	2015	270,625	68,750	—	4,224,044	—	858	4,564,277
Dylan Smith <i>Chief Financial Officer</i>	2017	300,000	—	—	—	174,000	288	474,288
	2016	285,417	—	—	256,278	150,000	288	691,983
	2015	243,750	62,500	—	1,992,902	—	230	2,299,382
Peter McGoff <i>Senior Vice President, General Counsel</i>	2017	320,000	15,000	2,115,750	—	200,000	968	2,651,718
	2016	308,750	20,000	—	141,330	155,000	828	625,908
Graham Younger <i>Executive Vice President, Worldwide Field Operations</i>	2017	140,625	—	1,209,000	—	83,181	—	1,432,806
	2016	315,000	—	—	—	329,175	540	644,715
	2015	286,250	255,935	3,141,600	1,939,809	—	35,446	5,659,040

- (1) The amounts reported represent discretionary bonuses earned in fiscal 2017, fiscal 2016 and fiscal 2015.
- (2) The amounts reported represent the grant date fair value of the awards granted to the named executive officers during fiscal year 2017, fiscal year 2016 and fiscal year 2015 as computed in accordance with FASB ASC Topic 718. The assumptions used in calculating the grant date fair value of the awards reported in this column are set forth in Note 10 to our audited consolidated financial statements included in our Annual Report on Form 10-K for our fiscal year ended January 31, 2017. For fiscal year 2017,

Messrs. Levie and Smith requested that any equity awards they would have otherwise been granted be re-allocated to the overall equity budget for issuance to our employees. Our Compensation Committee honored their request and, as such, they did not receive any equity awards in fiscal 2017.

- (3) The amounts reported represent amounts earned in fiscal 2016 and 2017 by (i) Messrs. Levie, Levin, Smith and McGoff under the Fiscal 2016 Executive Bonus Plan and the Fiscal 2017 Executive Bonus Plan and (ii) Mr. Younger under the Fiscal 2016 Worldwide Field Operations Bonus Plan.
- (4) The amounts reported represent (i) amounts paid on behalf of the named executive officers for basic life insurance, (ii) for Mr. Levin, a \$1,500 contribution to his HSA in each of fiscal 2016 and 2017, (iii) amounts provided to Mr. Levie and Mr. McGoff to purchase items from the company store in fiscal 2017, and (iv) for Mr. Younger \$34,960 in temporary housing expenses in fiscal 2015.

Grants of Plan-Based Awards in Fiscal Year 2017

The following table sets forth information regarding grants of plan-based awards made to our named executive officers during fiscal year 2017.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$) ⁽¹⁾
		Threshold (\$)	Target (\$)	Maximum (\$)				
Aaron Levie ⁽²⁾	—	—	99,000	—	—	—	—	
Dan Levin	—	—	165,000	—	—	—	—	
	5/24/2016	—	—	—	—	300,000	12.09	1,554,240
Dylan Smith ⁽²⁾	—	—	165,000	—	—	—	—	
Peter McGoff	—	—	144,000	—	—	—	—	
	5/24/2016	—	—	—	67,500	—	—	816,075
	5/24/2016	—	—	—	107,500	—	—	1,299,675
Graham Younger . . .	5/24/2016	—	337,500	—	60,000	—	—	725,400
	5/24/2016	—	—	—	40,000	—	—	483,600

- (1) The amounts reported represent the grant date fair value of the awards granted to the named executive officers as computed in accordance with FASB ASC Topic 718. The assumptions used in calculating the grant date fair value of the awards reported in this column are set forth in Note 10 to our audited consolidated financial statements included in our Annual Report on Form 10-K for our fiscal year ended January 31, 2017.
- (2) For fiscal year 2017, Messrs. Levie and Smith requested that any equity awards they would have otherwise been granted be re-allocated to the overall equity budget for issuance to our employees. Our Compensation Committee honored their request and, as such, they did not receive any equity awards in fiscal 2017.

Outstanding Equity Awards at 2017 Fiscal Year-End

The following table provides information regarding equity awards held by our named executive officers at January 31, 2017.

Name	Grant Date	Option Awards				Stock Awards	
		Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares of Stock that Have Not Vested (#)	Market Value of Shares of Stock That Have Not Vested (\$) ⁽¹⁾
Aaron Levie	07/15/2010 ⁽²⁾	588,841	—	0.29	07/14/2020	—	—
	04/07/2011 ⁽²⁾	25,000	—	0.59	04/06/2021	—	—
	04/02/2012 ⁽²⁾	770,000	—	1.16	04/01/2022	—	—
	04/02/2012 ⁽²⁾	410,000	—	4.00	04/01/2022	—	—
	04/02/2012 ⁽³⁾	307,499	102,501	4.00	04/01/2022	—	—
Dan Levin	04/27/2012 ⁽⁴⁾	204,999	205,001	4.00	04/26/2022	—	—
	04/19/2013 ⁽²⁾	300,000	—	4.63	04/18/2023	—	—
	04/19/2013 ⁽⁵⁾	290,625	9,375	4.63	04/18/2023	—	—
	04/03/2014 ⁽⁶⁾	218,749	81,251	17.85	04/02/2024	—	—
	01/02/2015 ⁽⁷⁾	114,583	135,417	14.05	01/02/2025	—	—
Dylan Smith	06/18/2015 ⁽⁷⁾	22,916	27,084	17.52	06/18/2025	—	—
	05/24/2016 ⁽⁸⁾	—	300,000	12.09	05/24/2026	—	—
	04/07/2011 ⁽²⁾	17,362	—	0.59	04/06/2021	—	—
	04/01/2012 ⁽²⁾	140,000	—	1.16	03/31/2022	—	—
	04/01/2012 ⁽²⁾	240,000	—	1.16	03/31/2022	—	—
Peter McGoff	02/07/2013 ⁽⁵⁾	135,625	4,375	4.63	02/06/2023	—	—
	04/03/2014 ⁽⁶⁾	102,083	37,917	17.85	04/02/2024	—	—
	01/02/2015 ⁽⁷⁾	54,999	65,001	14.05	01/02/2025	—	—
	06/18/2015 ⁽⁷⁾	15,583	18,417	17.52	06/18/2025	—	—
	04/27/2012 ⁽²⁾	125,000	—	1.16	04/26/2022	—	—
Graham Younger . . .	04/03/2014 ⁽⁶⁾	18,229	6,771	17.85	04/02/2024	—	—
	01/02/2015 ⁽⁷⁾	17,187	20,313	14.05	01/02/2025	—	—
	06/18/2015 ⁽⁷⁾	8,593	10,157	17.52	06/18/2025	—	—
	04/03/2014 ⁽⁹⁾	—	—	—	—	3,907	66,692
	01/02/2015 ⁽¹⁰⁾	—	—	—	—	10,547	180,037
	05/24/2016 ⁽¹¹⁾	—	—	—	—	67,500	1,152,225
	05/24/2016 ⁽¹¹⁾	—	—	—	—	107,500	1,835,025
	—	—	—	—	—	—	—

- (1) This column represents the market value of the shares underlying the RSUs or restricted stock as of January 31, 2017, based on the closing price of our Class A common stock, as reported on the NYSE, of \$17.07 per share on January 31, 2017.
- (2) The stock option is fully vested and exercisable.
- (3) One forty-eighth of the shares subject to the option vested on February 1, 2014 and one forty-eighth of the shares vest monthly thereafter, subject to continued service to us.
- (4) One forty-eighth of the shares subject to the option vested on February 1, 2015 and one forty-eighth of the shares vest monthly thereafter, subject to continued service to us.
- (5) One ninety-sixth of the shares subject to the option vested monthly over two years beginning on February 1, 2013 and one thirty-second of the shares vest monthly thereafter, subject to continued service to us.
- (6) One fourth of the shares subject to the option vested on February 1, 2015 and one forty-eighth of the shares vest monthly thereafter, subject to continued service to us.

- (7) One fourth of the shares subject to the option vested on March 20, 2016 and one forty-eighth of the shares vest monthly thereafter, subject to continued service to us.
- (8) One fourth of the shares subject to the option vested on March 20, 2017 and one forty-eighth of the shares vest monthly thereafter, subject to continued service to us.
- (9) One fourth of the shares underlying the RSUs vested on March 20, 2015 and one-sixteenth of the shares vest quarterly thereafter, subject to continued service to us.
- (10) One fourth of the shares underlying the RSUs vested on March 20, 2016 and one-sixteenth of the shares vest quarterly thereafter, subject to continued service to us.
- (11) One fourth of the shares underlying the RSUs vested on March 20, 2017 and one-sixteenth of the shares vest quarterly thereafter, subject to continued service to us.

Option Exercises and Stock Vested in Fiscal Year 2017

The following table sets forth the number of shares of common stock acquired during our fiscal year 2017 by our named executive officers upon the exercise of stock options and the vesting of restricted stock unit awards and the value realized upon such exercise or vesting.

Name	Options Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) ⁽¹⁾
Aaron Levie	—	—	—	—
Dan Levin	—	—	—	—
Dylan Smith	—	—	—	—
Peter McGoff	—	—	11,328	148,639
Graham Younger	—	—	22,000	267,080

- (1) Calculated by multiplying (i) the market value of our Class A common stock on the vesting date, which was determined using the closing price on the NYSE of a share of our Class A common stock on the date of vesting, or if such day is a holiday, on the immediately preceding trading day, by (ii) the number of shares of our common stock acquired upon vesting.

Pension Benefits & Nonqualified Deferred Compensation

We do not provide any defined benefit pension plans, and none of our named executive officers participated in a nonqualified deferred compensation plan during our fiscal year ended January 31, 2017.

Potential Payments upon Termination or Change of Control

In June 2014, our Compensation Committee approved change in control and severance agreements, or change in control agreements, for our named executive officers, which require us to make specific payments and benefits in connection with the termination of such named executive officers' employment under certain circumstances. These change in control agreements superseded any other agreement or arrangement relating to severance benefits with these named executive officers or any terms of their option agreements related to vesting acceleration or other similar severance-related terms. Mr. Younger did not become entitled to receive any payments or benefits under his change in control and severance agreement in connection with his resignation in June 2016. The descriptions that follow describe such payments and benefits that may be owed by us to each of our named executive officers (other than Mr. Younger) upon the named executive officer's termination under certain circumstances.

The change in control agreements will remain in effect for an initial term of three years. At the end of the initial term, each agreement will automatically renew for an additional one-year period unless either party

provides notice of nonrenewal within 90 days prior to the date of the automatic renewal. The change in control agreements also acknowledge that each of these named executive officers is an at-will employee, whose employment can be terminated at any time.

In order to receive the severance benefits described below, each of these named executive officers is obligated to execute a release of claims against us, provided such release of claims becomes effective and irrevocable no later than 60 days following such named executive officer's termination date, and to continue to comply with the terms of the named executive officer's confidential information and intellectual property assignment agreement with us.

In the event of a termination of employment without "cause" (as generally defined below) outside of the "change in control period" (as generally defined below), such named executive officer will receive the following:

- continued payments of base salary for six months; and
- paid COBRA benefits for six months.

In the event of a termination of employment without "cause" or a resignation for "good reason" (as generally defined below) during the "change of control period," Messrs. Levie, Levin, and Smith will receive the following:

- a lump-sum payment of 12 months of base salary;
- a lump-sum payment equal to 100% of his target bonus;
- paid COBRA benefits for 12 months; and
- 100% acceleration of equity awards.

In the event of a termination of employment without "cause" or a resignation for "good reason" (as generally defined below) during the "change of control period," Mr. McGoff will receive the following:

- a lump-sum payment of 12 months of base salary;
- a lump-sum payment equal to 100% of his target bonus;
- paid COBRA benefits for 12 months; and
- 24 months acceleration of equity awards.

In the event any payment to one of these named executive officers is subject to the excise tax imposed by Section 4999 of the Internal Revenue Code (as a result of a payment being classified as a "parachute payment" under Section 280G of the Internal Revenue Code), the named executive officer will be entitled to receive such payment as would entitle him to receive the greatest after-tax benefit of either the full payment or a lesser payment which would result in no portion of such severance benefits being subject to excise tax.

For the purpose of the change of control agreements, "cause" means generally the occurrence of any of the following:

- an act of dishonesty by the named executive officer in connection with the named executive officer's responsibilities as an employee;
- the named executive officer's conviction of, or entry of a plea of guilty or nolo contendere to, a felony or any crime involving fraud or embezzlement;
- the named executive officer's gross misconduct;
- the unauthorized use or disclosure by the named executive officer of our proprietary information or trade secrets or those of any other party to whom the named executive officer owes an obligation of nondisclosure as a result of the named executive officer's relationship with us;

- the named executive officer's willful breach of any obligations under any written agreement or covenant with us;
- the named executive officer's failure to cooperate with an investigation by a governmental authority; or
- the named executive officer's continued failure to perform his duties after notice and a cure period.

For the purpose of the change in control agreements with Messrs. Levie, Levin, and Smith, "good reason" means generally the named executive officer's voluntary termination of employment following the expiration of any cure period following the occurrence of one or more of the following without the named executive officer's consent:

- a material reduction of the named executive officer's duties, authorities or responsibilities other than a reduction following a change in control where the named executive officer assumes similar functional duties for a stand-alone business unit due to the company becoming part of a larger entity; provided that a reduction resulting from the company not being a stand-alone business unit following a change in control will affirmatively be grounds for good reason;
- a material reduction of the named executive officer's base salary; or
- a material change in the geographic location of the named executive officer's primary work facility or location.

For the purpose of the change in control agreement with Mr. McGoff, "good reason" means generally his voluntary termination of employment following the expiration of any cure period following the occurrence of one or more of the following without his consent:

- a material reduction of the named executive officer's duties, authorities or responsibilities other than a reduction following a change in control due to the company being part of a larger entity where the named executive officer assumes similar functional duties;
- a material reduction of his base salary; or
- a material change in the geographic location of his primary work facility or location.

For the purpose of the change in control agreements, "change in control period" means generally the period beginning three months prior to, and ending 12 months following, a change in control of the Company.

The following table provides information concerning the estimated payments and benefits that would be provided in the circumstances described above for each of the named executive officers serving as of the end of Fiscal 2017 pursuant to the change in control agreements in effect at that time. Payments and benefits are estimated assuming that the triggering event took place on the last business day of our fiscal year ended January 31, 2017, and the price per share of our Class A common stock is the closing price of the New York Stock Exchange as of that date. There can be no assurance that a triggering event would produce the same or similar results as those estimated below if such event occurs on any other date or at any other price, or if any other assumption used to estimate potential payments and benefits is not correct. Due to the number of factors that affect the nature and amount of any potential payments of benefits, any actual payments and benefits may be different.

Executive	Payment Elements	Termination Without Cause or Termination for Good Reason Within Change in Control Period (\$)	Termination Without Cause Outside of Change in Control Period (\$)
Aaron Levie	Salary	180,000	90,000
	Bonus	99,000	—
	Stock Options ⁽¹⁾	4,019,051	—
	Stock Awards	—	—
	Health Coverage ⁽³⁾	14,951	7,476
	Total	4,313,002	97,476
Dan Levin	Salary	300,000	150,000
	Bonus	165,000	—
	Stock Options ⁽¹⁾	2,019,584	—
	Stock Awards	—	—
	Health Coverage ⁽³⁾	18,128	9,064
	Total	2,502,712	159,064
Dylan Smith	Salary	300,000	150,000
	Bonus	165,000	—
	Stock Options ⁽¹⁾	250,728	—
	Stock Awards	—	—
	Health Coverage ⁽³⁾	15,177	7,588
	Total	730,905	157,588
Peter McGoff	Salary	320,000	160,000
	Bonus	144,000	—
	Stock Options ⁽¹⁾	56,625	—
	Stock Awards ⁽²⁾	2,280,450	—
	Health Coverage ⁽³⁾	21,879	10,940
	Total	2,828,954	170,940

- (1) Value represents the estimated benefit amount of unvested stock options calculated by multiplying the number of unvested stock options subject to acceleration held by the applicable named executive officer by the difference between the exercise price of the option and the closing price of our Class A common stock on January 31, 2017, which was \$17.07 per share. Does not reflect any dollar value associated with the acceleration of unvested stock options with exercise prices in excess of \$17.07 per share.
- (2) Value represents the estimated benefit amount of unvested RSUs and shares of restricted stock issued upon the early exercise of stock options, in each case calculated by multiplying the number of unvested units or shares subject to acceleration held by the applicable named executive officer by the closing price of our Class A common stock on the New York Stock Exchange on January 31, 2017, which was \$17.07 per share.
- (3) Represents 12 months of Box-paid COBRA benefits in the case of termination without cause or a termination of employment for good reason within the change in control period and six months of Box-paid COBRA benefits in the case of a termination of employment without cause outside of the change in control period.

EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes our equity compensation plan information as of January 31, 2017. Information is included for equity compensation plans approved by our stockholders. We do not have any equity compensation plans not approved by our stockholders.

<u>Plan Category</u>	<u>Class of Common Stock</u>	<u>(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights</u>	<u>(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights⁽¹⁾</u>	<u>(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))</u>
Equity compensation plans approved by stockholders	Class A ⁽²⁾	6,331,215	\$14.68	14,782,770
	Class B ⁽³⁾	9,788,878	\$ 5.57	—
Equity compensation plans not approved by stockholders		—	—	—
Total	Class A and Class B	—	\$ —	—

- (1) The weighted average exercise price is calculated based solely on outstanding stock options. It does not take into account the shares of our common stock underlying restricted stock units, which have no exercise price.
- (2) Includes the following plans: Box, Inc. 2015 Equity Incentive Plan (2015 Plan) and Box, Inc. 2015 Employee Stock Purchase Plan (ESPP). Our 2015 Plan provides that on the first day of each fiscal year, the number of shares of Class A common stock available for issuance thereunder is automatically increased by a number equal to the least of (i) 12,200,000 shares, (ii) 5% of the outstanding shares of our capital stock as of the last day of our immediately preceding fiscal year, or (iii) such other amount as our Board of Directors may determine. Our ESPP provides that on the first day of each fiscal year, the number of shares of Class A common stock available for issuance thereunder is automatically increased by a number equal to the least of (i) 2,500,000 shares, (ii) 1% of the outstanding shares of our capital stock on the first day of such fiscal year, or (iii) such other amount as our Board of Directors may determine. On February 1, 2017, the number of shares of Class A common stock available for issuance under our 2015 Plan and our ESPP increased by 6,530,557 shares and 1,306,111 shares, respectively, pursuant to these provisions. These increases are not reflected in the table above.
- (3) Includes the following plans: Box, Inc. 2011 Equity Incentive Plan and Box, Inc. 2006 Stock Incentive Plan.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information with respect to the beneficial ownership of our capital stock as of March 31, 2017 for:

- each person or group of affiliated persons known by us to be the beneficial owner of more than 5% of our Class A common stock or Class B common stock;
- each of our named executive officers;
- each of our directors and nominees for director; and
- all of our current executive officers and directors as a group.

We have determined beneficial ownership in accordance with the rules and regulations of the SEC, and thus it represents sole or shared voting or investment power with respect to our securities. Unless otherwise indicated below, to our knowledge, the persons and entities named in the table have sole voting and sole investment power with respect to all shares that they beneficially owned, subject to applicable community property laws.

Applicable percentage ownership is based on 73,734,491 shares of our Class A common stock and 58,891,852 shares of our Class B common stock outstanding as of March 31, 2017. In computing the number of shares of capital stock beneficially owned by a person and the percentage ownership of such person, we deemed to be outstanding all shares of our capital stock subject to options held by the person that are currently exercisable or exercisable within 60 days of March 31, 2017 and issuable upon the vesting of RSUs held by the person within 60 days of March 31, 2017. However, we did not deem such shares of our capital stock outstanding for the purpose of computing the percentage ownership of any other person.

Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o Box, Inc., 900 Jefferson Ave., Redwood City, California 94063. The information provided in the table is based on our records, information filed with the SEC and information provided to us, except where otherwise noted.

<u>Name of Beneficial Owner</u>	<u>Class A Common Stock</u>		<u>Class B Common Stock</u>		<u>Percent of Total Voting Power</u>
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	
5% Stockholders:					
Entities affiliated with Draper Fisher Jurvetson ⁽¹⁾	354,806	*	17,009,343	28.90%	25.70%
U.S. Venture Partners IX, L.P. ⁽²⁾	17,301	*	11,713,775	19.90%	17.70%
Entities affiliates with General Atlantic ⁽³⁾	—	—	7,636,560	13.00%	11.50%
Scale Venture Partners III, L.P. ⁽⁴⁾	17,301	*	5,355,671	9.10%	8.10%
TPG Bogota Holdings, L.P. ⁽⁵⁾	—	—	5,952,380	10.10%	9.00%
Bares Capital Management, Inc. ⁽⁶⁾	5,932,006	8.00%	—	—	*
Named Executive Officers and Directors:					
Aaron Levie ⁽⁷⁾	44,000	*	4,940,045	8.10%	7.20%
Dan Levin ⁽⁸⁾	118,334	*	2,317,765	3.90%	3.50%
Dylan Smith ⁽⁹⁾	22,145	*	2,117,655	3.60%	3.20%
Peter McGoff ⁽¹⁰⁾	59,179	*	326,909	*	*
Graham Younger	—	—	—	—	—
Dana Evan ⁽¹¹⁾	17,301	*	129,886	*	*
Steven Krausz ⁽¹²⁾	17,301	*	11,713,775	19.90%	17.70%
Rory O'Driscoll ⁽¹³⁾	17,301	*	5,355,671	9.10%	8.10%
Gary Reiner	—	—	—	—	—
Josh Stein ⁽¹⁴⁾	108,881	*	—	—	*
Bryan Taylor	—	—	—	—	—
All current executive officers and directors as a group (10 persons) ⁽¹⁵⁾	404,442	*	26,901,706	42.60%	38.20%

* Represents beneficial ownership of less than one percent (1%).

- (1) Consists of (i) 10,432,997 shares of Class B common stock held of record by Draper Fisher Jurvetson Fund VIII, L.P. (“Fund VIII”); (ii) 3,262,392 shares of Class B common stock held of record by Draper Fisher Jurvetson Fund IX, L.P. (“Fund IX”); (iii) 1,490,740 shares of Class B common stock held of record by Draper Associates, L.P. (“DALP”); (iv) 1,390,544 shares of Class B common stock held of record by Draper Fisher Jurvetson Growth Fund 2006, L.P. (“Growth Fund”); (v) 231,843 shares of Class B common stock held of record by Draper Fisher Jurvetson Partners VIII, LLC (“Partners VIII”); (vi) 88,406 shares of Class B common stock held of record by Draper Fisher Jurvetson Partners IX, LLC (“Partners IX”); (vii) 112,421 shares of Class B common stock held of record by Draper Fisher Jurvetson Partners Growth Fund 2006, LLC (“Partners Growth”); (viii) 105,723 shares of Class A common stock held of record by Timothy C. Draper; (xi) 129,429 shares of Class A common stock held of record by John Fisher and Jennifer Caldwell Living Trust dated 1/7/00, as amended and restated 3/27/08 (“Fisher Trust”); and (xii) 119,654 shares of Class A common stock held of record by Stephen T. Jurvetson. Mr. Fisher is co-trustee of the Fisher trust and holds sole voting and dispositive power with respect to the shares held by Fisher Trust. Mr. Draper, John H. N. Fisher, and Stephen T. Jurvetson, as the managing directors of the general partner entities of Fund VIII and Fund IX and managing members of Partners VIII and Partners IX and share voting and dispositive power with respect to the shares held by Fund VIII, Fund IX, Partners VIII and Partners IX. Mark W. Bailey, Mr. Fisher, and Barry M. Schuler, as the managing directors of the general partner of Growth Fund, share voting and dispositive power with respect to the shares held by Growth Fund. Any three of Messrs. Bailey, Draper, Fisher, Jurvetson and Schuler, as the managing members of Partners Growth, share voting and dispositive power with respect to the shares held by Partners Growth. Mr. Draper, as the President of Draper Associates, Inc., the general partner of DALP, shares voting and dispositive power with respect to the shares held by DALP. The address for each of these persons is c/o Draper Fisher Jurvetson, 2882 Sand Hill Road, Suite 150, Menlo Park, California 94025.
- (2) Consists of (i) 11,713,775 shares of Class B common stock held by U.S. Venture Partners IX, L.P. (“USVP IX”); (ii) 5,767 shares of Class A common stock held by Steven M. Krausz; and (iii) 11,534 shares of Class A common stock subject to options exercisable by Mr. Krausz within 60 days of March 31, 2017. Presidio Management Group IX, L.L.C. (“PMG IX”), the general partner of USVP IX, has sole voting and dispositive power with respect to the shares held by USVP IX and Steven M. Krausz has sole voting and dispositive power with respect to the shares he holds. Irwin Federman, Steven M. Krausz, David Liddle, Paul Matteucci, Jonathan D. Root, Casey M. Tansey and Philip M. Young, the managing members of PMG IX, share voting and dispositive power with respect to the shares held by USVP IX. The address for each of these persons is c/o U.S. Venture Partners, 1460 El Camino Real, Suite 100, Menlo Park, California 94025.
- (3) Consists of (i) 7,076,139 shares of Class B common stock held of record by General Atlantic Partners 90, L.P. (“GAP 90”); (ii) 18,627 shares of Class B common stock held of record by GAP Coinvestments CDA, L.P. (“CDA”); (iii) 441,949 shares of Class B common stock held of record by GAP Coinvestments III, LLC (“GAPCO III”); (iv) 82,194 shares of Class B common stock held of record by GAP Coinvestments IV, LLC (“GAPCO IV”); and (v) 17,651 shares of Class B common stock held of record by GAPCO GmbH & Co. KG (“KG,” and together with GAP 90, CDA, GAPCO III and GAPCO IV, the “GA Funds”). General Atlantic LLC (“GA LLC”) is the general partner of General Atlantic GenPar, L.P. (“GA GenPar”), which is the general partner of GAP 90. GA LLC is the general partner of CDA and the managing member of GAPCO III and GAPCO IV. GAPCO Management GmbH (“GmbH”) is the general partner of KG. The Managing Directors of GA LLC make voting and investment decisions with respect to the securities held by KG and GmbH. As of April 1, 2017, there are 25 Managing Directors of GA LLC. The Managing Directors of GA LLC are William E. Ford, Steven A. Denning, John D. Bernstein, J. Frank Brown, Gabriel Caillaux, Andrew Crawford, Alex Crisses, Mark F. Dzialga, Martin Escobari, Aaron Goldman, David C. Hodgson, Rene M. Kern, Jonathan Korngold, Christopher G. Lanning, Anton J. Levy, Thomas J. Murphy, Sandeep Naik, Joern Nikolay, Andrew C. Pearson, Shantanu Rastogi, David A. Rosenstein, Graves Tompkins, Robbert Vorhoff, Ke Wei and Chi Eric Zhang. GA LLC, GA GenPar, GAP 90, GAPCO III, GAPCO IV, CDA, KG and GmbH are a “group” within the meaning of Rule 13d-5 of the Securities Exchange Act of

1934, as amended. The address of each of these persons is c/o General Atlantic Service Company, LLC, 55 East 52nd Street, 32nd Floor, New York, New York 10055.

- (4) Consists of (i) 5,355,671 shares of Class B common stock held by Scale Venture Partners III, L.P. (“SVP III”); (ii) 5,767 shares of Class A common stock held by Rory O’Driscoll, one of the members of Scale Venture Management III, LLC (“SVM III”), the general partner of SVP III; and (iii) 11,534 shares of Class A common stock subject to options exercisable within 60 days of March 31, 2017, held by Mr. O’Driscoll. Pursuant to the policies of SVP III, SVM III and Scale Management, LLC (“Scale Management”), Mr. O’Driscoll is deemed to hold the report securities for the benefit of Scale Management. SVM III has sole voting and dispositive power with respect to the shares held by SVP III and Mr. O’Driscoll. Stacey Bishop, Kate Mitchell, Rory O’Driscoll and Andrew Vitus, the managing members of SVM III, share voting and dispositive power with respect to the shares held by SVP III and Mr. O’Driscoll. The address of each of these persons is c/o Scale Venture Partners, 950 Tower Lane, Suite 1150, Foster City, California 94404.
- (5) According to a Schedule 13G filed with the SEC on February 12, 2016, consists of 5,952,380 shares of Class B common stock held of record by TPG Bogota Holdings, L.P. (“TPG Bogota”), whose general partner is TPG Growth II Advisors, Inc. David Bonderman and James G. Coulter are sole shareholders of TPG Growth II Advisors and therefore may be deemed to share voting and dispositive power with respect to, and be the beneficial owners of, the shares held by TPG Bogota. The address of each of these persons is c/o TPG Global, LLC, 301 Commerce Street, Suite 3300, Fort Worth, Texas 76102.
- (6) According to a Schedule 13G/A filed with the SEC on February 14, 2017, by a joint filing group consisting of Bares Capital Management, Inc. (“Bares Capital”) and Brian Bares (“Bares” and together with Bares Capital, the “Bares Entities”), Bares Capital has beneficial ownership of 5,768,406 shares of Class A common stock and sole voting power and sole dispositive with respect to no shares and (ii) Bares has beneficial ownership of 5,932,006 shares of the reported shares and sole voting power and sole dispositive power with respect to 163,600 of the reported shares. The Bares Entities share voting and dispositive power with respect to all of the reported shares beneficially owned by Bares Capital. The Bares Entities address is 12600 Hill Country Blvd, Suite R-230, Austin, Texas 78738.
- (7) Consists of (i) 44,000 shares of Class A common stock held of record by Aaron Levie; (ii) 2,565,372 shares of Class B common stock held of record by Mr. Levie; and (iii) 2,374,673 shares of Class B common stock subject to options exercisable within 60 days of March 31, 2017.
- (8) Consists of (i) 3,752 shares of Class A common stock held of record by Mr. Levin; (ii) 114,582 shares of Class A common stock subject to options exercisable within 60 days of March 31, 2017; (iii) 1,338,600 shares of Class B common stock held of record by Daniel J. Levin and Naomi J. Andrews, as Trustees of the Levin/Andrews Family Trust dated 9/18/99; and (iv) 979,165 shares of Class B common stock subject to options exercisable within 60 days of March 31, 2017.
- (9) Consists of (i) 1,316,545 shares of Class B common stock held of record by Mr. Smith; (ii) 85,000 shares of Class B common stock held of record by Mr. Smith, as Trustee of the DCS GRAT of 2014; (iii) 716,110 shares of Class B common stock subject to options exercisable within 60 days of March 31, 2017; (iv) 3,729 shares of Class A common stock held of record by Mr. Smith; and (v) 18,416 shares of Class A common stock subject to options exercisable within 60 days of March 31, 2017.
- (10) Consists of (i) 49,023 shares of Class A common stock held of record by Mr. McGoff; (ii) 10,156 shares of Class A common stock subject to options exercisable within 60 days of March 31, 2017; (iii) 161,285 shares of Class B common stock held of record by Mr. McGoff; and (iv) 165,624 shares of Class B common stock subject to options exercisable within 60 days of March 31, 2017.
- (11) Consists of (i) 5,767 shares of Class A common stock held of record by Dana Evan; (ii) 11,534 shares of Class A common stock subject to options exercisable within 60 days of March 31, 2017; and (iii) 129,886 shares of Class B common stock held of record by Ms. Evan.
- (12) Consists of the shares listed in footnote (2) above, which are held by USVP IX. Mr. Krausz is a managing member of PMG IX and shares voting and dispositive power with respect to the shares held by USVP IX.
- (13) Consists of the shares listed in footnote (4) above, which are held by SVP III. Mr. O’Driscoll is a managing member of SVM III and shares voting and dispositive power with respect to the shares held by SVP III.

- (14) Consists of (i) 91,580 shares of Class A common stock held of record by the Joshua and Jennifer Stein Revocable Trust for which the Mr. Stein serves as Trustee and shares voting and dispositive power; (ii) 5,767 shares of Class A common stock held of record by Mr. Stein; and (iii) 11,534 shares of Class A common stock subject to options exercisable within 60 days of March 31, 2017.
- (15) Consists of (i) 215,152 shares of Class A common stock; (ii) 189,290 shares of Class A common stock subject to options exercisable within 60 days of March 31, 2017; (iii) 22,666,134 shares of Class B common stock; and (ii) 4,235,572 shares of Class B common stock subject to options exercisable within 60 days of March 31, 2017.

RELATED PERSON TRANSACTIONS

We describe below transactions and series of similar transactions, since the beginning of our last fiscal year, to which we were a party or will be a party, in which:

- the amounts involved exceeded or will exceed \$120,000; and
- any of our directors, nominees for director, executive officers or beneficial holders of more than 5% of any class of our outstanding capital stock, or any immediate family member of, or person sharing the household with, any of these individuals or entities (each, a related person), had or will have a direct or indirect material interest.

Investors' Rights Agreement

We are party to an investors' rights agreement which provides, among other things, that certain holders of our capital stock, including entities affiliated with Draper Fisher Jurvetson, U.S. Venture Partners IX, L.P., entities affiliated with General Atlantic, Scale Venture Partners III, L.P., entities affiliated with Coatue Management, L.L.C., TPG Bogota Holdings, L.P., Aaron Levie, our Chairman and Chief Executive Officer, and Dylan Smith, our Chief Financial Officer, have the right to demand that we file a registration statement or request that their shares of our capital stock be included on a registration statement that we are otherwise filing.

Other Transactions

We have entered into change in control and severance agreements with certain of our executive officers that, among other things, provide for certain severance and change in control benefits. See the section titled and "Executive Compensation—Potential Payments upon Termination or Change of Control."

We have entered into indemnification agreements with our directors and executive officers. The indemnification agreements and our amended and restated certificate of incorporation and amended and restated bylaws require us to indemnify our directors and executive officers to the fullest extent permitted by Delaware law.

Other than as described above, since February 1, 2016, we have not entered into any transactions, nor are there any currently proposed transactions, between us and a related party where the amount involved exceeds, or would exceed, \$120,000, and in which any related person had or will have a direct or indirect material interest. We believe the terms of the transactions described above were comparable to terms we could have obtained in arm's-length dealings with unrelated third parties.

Policies and Procedures for Related Party Transactions

Our Audit Committee has the primary responsibility for reviewing and approving transactions with related persons. Our Audit Committee charter provides that our Audit Committee shall review any related person transactions. Our Board of Directors has adopted a formal written policy providing that we are not permitted to enter into any transaction that exceeds \$120,000 and in which any related person has a direct or indirect material interest without the consent of our Audit Committee. In approving or rejecting any such transaction, our Audit Committee is to consider the relevant facts and circumstances available and deemed relevant to our Audit Committee, including whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related person's interest in the transaction.

OTHER MATTERS

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires that our executive officers and directors, and persons who own more than 10% of our common stock, file reports of ownership and changes of ownership with the SEC. Such directors, executive officers and 10% stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file.

SEC regulations require us to identify in this proxy statement anyone who filed a required report late during the most recent fiscal year. Based on our review of forms we received, or written representations from reporting persons stating that they were not required to file these forms, we believe that during our fiscal year ended January 31, 2017, all Section 16(a) filing requirements were satisfied on a timely basis.

Fiscal Year 2017 Annual Report and SEC Filings

Our financial statements for our fiscal year ended January 31, 2017 are included in our Annual Report on Form 10-K, which we will make available to stockholders at the same time as this proxy statement. This proxy statement and our annual report are posted on our website at <http://www.boxinvestorrelations.com/> and are available from the SEC at its website at www.sec.gov. You may also obtain a copy of our annual report without charge by sending a written request to Box, Inc., Attention: Investor Relations, 900 Jefferson Ave., Redwood City, California 94063.

* * *

The Board of Directors does not know of any other matters to be presented at the Annual Meeting. If any additional matters are properly presented at the Annual Meeting, the persons named in the enclosed proxy card will have discretion to vote the shares of our common stock they represent in accordance with their own judgment on such matters.

It is important that your shares of our common stock be represented at the Annual Meeting, regardless of the number of shares that you hold. You are, therefore, urged to vote by telephone or by using the Internet as instructed on the enclosed proxy card or execute and return, at your earliest convenience, the enclosed proxy card in the envelope that has also been provided.

THE BOARD OF DIRECTORS

Redwood City, California
May 10, 2017

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CERTIFICATE OF AMENDMENT
TO THE
AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF
BOX, INC.

Box, Inc., a corporation organized and existing under the laws of the State of Delaware (the “**Corporation**”), hereby certifies as follows:

A. The Corporation was originally incorporated under the name Box.Net, Inc., and the original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on March 11, 2008.

B. The Corporation filed an Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware on January 28, 2015 (the “**Restated Certificate**”).

C. The definition of “Transfer” in Article V of the Restated Certificate is hereby amended and restated to read in its entirety as follows:

““**Transfer**” of a share of Class B Common Stock shall mean any sale, assignment, transfer, conveyance, hypothecation or other transfer or disposition of such share or any legal or beneficial interest in such share, whether or not for value and whether voluntary or involuntary or by operation of law. A “**Transfer**” shall also include, without limitation, (i) a transfer of a share of Class B Common Stock to a broker or other nominee (regardless of whether or not there is a corresponding change in beneficial ownership) or (ii) the transfer of, or entering into a binding agreement with respect to, Voting Control over a share of Class B Common Stock by proxy or otherwise. Notwithstanding the foregoing, the following shall not be considered a “**Transfer**”: (a) the grant of a proxy by a Key Holder to a Designated Proxy Holder; (b) the grant of a proxy to officers or directors of the Corporation at the request of the Board of Directors of the Corporation in connection with actions to be taken at an annual or special meeting of stockholders; (c) the pledge of shares of Class B Common Stock by a Class B Stockholder that creates a mere security interest in such shares pursuant to a *bona fide* loan or indebtedness transaction so long as the Class B Stockholder continues to exercise Voting Control over such pledged shares, it being understood that a foreclosure on such shares of Class B Common Stock or other similar action by the pledge shall constitute a “**Transfer**”; (d) the fact that, as of the Effective Time or at any time after the Effective Time, the spouse of any Class B Stockholder possesses or obtains an interest in such holder’s shares of Class B Common Stock arising solely by reason of the application of the community property laws of any jurisdiction, so long as no other event or circumstance shall exist or have occurred that constitutes a “**Transfer**” of such shares of Class B Common Stock; or (e) in connection with a Change of Control Transaction that has been approved by the Board of Directors, the entering into a support, voting, tender or similar agreement or arrangement (in each case, with or without the grant of a proxy) that has also been approved by the Board of Directors.”

D. The foregoing amendment has been duly approved by the Board of Directors of the Corporation in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

E. The foregoing amendment has been duly approved by the stockholders of the Corporation in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

* * *

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to the Amended and Restated Certificate of Incorporation to be signed by a duly authorized officer of the Corporation on _____, 2017.

BOX, INC.

By: _____
[Signatory Name]
[Signatory Title]

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended January 31, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number 001-36805

Box, Inc.

(Exact name of registrant as specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

20-2714444
(I.R.S. Employer
Identification No.)

900 Jefferson Ave.
Redwood City, California 94063
(Address of principal executive offices and Zip Code)

(877) 729-4269
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Class A common stock, par value \$0.0001 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act (the Exchange Act). YES NO

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, based on the closing price of a share of the registrant's Class A common stock on July 31, 2016 as reported by the New York Stock Exchange on such date was approximately \$796 million. Shares of the registrant's Class A common stock and Class B common stock held by each executive officer, director and holder of 10% or more of the outstanding Class A common stock and Class B common stock have been excluded in that such persons may be deemed to be affiliates. This calculation does not reflect a determination that certain persons are affiliates of the registrant for any other purpose.

As of February 28, 2017, the number of shares of the registrant's Class A common stock outstanding was 69,811,257 and the number of shares of the registrant's Class B common stock outstanding was 60,911,229.

Portions of the registrant's Definitive Proxy Statement relating to the Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Such Definitive Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended January 31, 2017.

Box, Inc.
Annual Report on Form 10-K
For the Fiscal Year Ended January 31, 2017

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements contained in this Annual Report on Form 10-K include, but are not limited to, statements about:

- our ability to maintain an adequate rate of revenue and billings growth and our expectations regarding such growth;
- our business plan and our ability to effectively manage our growth;
- our ability to achieve and sustain profitability and positive cash flow;
- our ability to achieve our long-term margin objectives;
- costs associated with defending intellectual property infringement and other claims;
- our ability to attract and retain end-customers;
- our ability to further penetrate our existing customer base;
- our ability to displace existing products in established markets;
- our ability to expand our leadership position as a cloud content management platform;
- our ability to timely and effectively scale and adapt our existing technology;
- our ability to innovate new products and bring them to market in a timely manner;
- our plans to further invest in our business, including investment in research and development, sales and marketing, our infrastructure and our professional services organization, and our ability to effectively manage such investments;
- our ability to expand internationally;
- the effects of increased competition in our market and our ability to compete effectively;
- the effects of seasonal trends on our operating results;
- our expectations concerning relationships with third parties;
- our ability to attract and retain qualified employees and key personnel;
- our ability to realize the anticipated benefits of our partnerships with third parties;
- our ability to maintain, protect and enhance our brand and intellectual property; and
- future acquisitions of or investments in complementary companies, products, services or technologies and our ability to successfully integrate such companies or assets.

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in the section titled “Risk Factors” and elsewhere in this Annual Report on Form 10-K. Moreover, we operate in a very competitive and rapidly changing environment, and new risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Annual Report on Form 10-K may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this Annual Report on Form 10-K to conform these statements to actual results or to changes in our expectations, except as required by law.

You should read this Annual Report on Form 10-K and the documents that we reference in this Annual Report on Form 10-K and have filed with the SEC as exhibits to this Annual Report on Form 10-K with the understanding that our actual future results, levels of activity, performance, and events and circumstances may be materially different from what we expect.

PART I

Item 1. BUSINESS

Overview

Box provides a leading cloud content management platform that enables organizations of all sizes to securely manage cloud content while allowing easy, secure access and sharing of this content from anywhere, on any device. With our Software-as-a-Service (SaaS) cloud content management platform, users can collaborate on content both internally and with external parties, automate content-driven business processes, develop custom applications, and implement data protection, security and compliance features to comply with internal policies and industry regulations. Our platform enables a broad set of business use cases across an enterprise, across multiple file formats and media types, and user experiences. Our platform integrates with leading enterprise business applications, and is compatible with multiple application environments, operating systems and devices, ensuring that workers have access to their critical business content whenever and wherever they need it.

At our founding in 2005, we recognized that content is more accessible, secure and powerful when it is centrally stored, managed and shared. We have architected our content management platform from the ground up to meet the evolving demands of today's distributed and mobile workforce, and of enterprises that are looking to benefit from the increasing digitization of business. This architecture enables users to work and collaborate on content from anywhere in the world and allows organizations to centrally apply and manage policies and controls across all users and content simultaneously.

Our go-to-market strategy combines top-down, high-touch sales efforts with end-user-driven bottoms-up adoption. Our sales representatives engage in direct interaction with IT decision makers including CEOs, CIOs, CISOs, IT directors and business department heads. We also field inbound inquiries and online sales opportunities. We offer individuals a free basic version of Box that allows them to experience, first hand, our easy-to-use and secure solution. We further expand our market reach by leveraging a network of channel partners that comprise value added resellers and systems integrators. Use of the Box offering often spreads virally within and across organizations, as users adopt Box and invite new users to collaborate. In addition, an organization will frequently purchase Box for one use case and then later expand its deployment to other use cases with larger groups of employees leading to deeper engagement with our service.

We also provide industry-specific offerings that address targeted business needs with a combination of technology, services and marketing programs. Where relevant, we also facilitate compliance with industry-specific regulations to ensure that organizations can use Box in accordance with applicable legal requirements. These industry solutions are aimed to speed the deployment and time to value for customers in industries such as healthcare and life sciences, financial services, legal services, media and entertainment, retail, education, energy and government.

We are building a rich technology partner ecosystem around Box. Our platform integrates with the applications of leading enterprise technology providers, including Microsoft, IBM, Salesforce.com, Apple, Google, and others, giving our users easy access to their content in Box without leaving these applications. In addition, in-house enterprise developers and independent software developers can rapidly build and provision new applications that leverage and extend the core functionality of our services, increasingly with a focus on specific industries and vertical market use cases. To date, tens of thousands of third-party developers have leveraged our platform as the secure content layer for their applications.

The Box Solution

We deliver applications (web and mobile) for cloud content management a platform for developing custom applications, and a series of industry-specific solutions. Box features and functionality include the following:

- **Modern Cloud Architecture.** We have built our platform from the ground up on a cloud-based architecture, which enables us to rapidly develop, update and provision our services to users. Our proprietary cloud architecture is particularly well-suited for today's dynamically changing business requirements because it enables our users to use the most up-to-date versions of our solutions at all times and administrators to immediately apply changes in policies and controls across all their organizations' critical content simultaneously.
- **Mobility.** Our solution enables users to securely access, manage, share and collaborate on their content anytime and from anywhere, using nearly any device and operating environment, including Mac, iOS, Android, Windows and Blackberry through both native and web browser applications.
- **Elegant, Intuitive and User-Focused Interface.** We are dedicated to keeping our solution easy for users to understand with little to no upfront training. We strive to enable quick and viral user adoption by maintaining a simple and elegant interface with compelling access, sharing and collaboration features.
- **Built to Handle Content of Nearly Any Type.** We have designed our solution to serve as the central content management layer for an organization's employees. Users securely access, share and collaborate on all types of information, regardless of format or file type, and from virtually any device or operating system.
- **Simple and Rapid Deployment.** Our cloud-based software allows organizations to easily, quickly and inexpensively deploy our products. IT administrators can quickly add users, set up permissions, create folders and policies, implement automated workflows and begin using our product almost immediately without the need to procure and provision hardware or install and configure software.
- **Enterprise-Grade Security.** We have invested heavily to build robust security features to protect our customers from the most pervasive security threats. At the most basic level, all files stored in Box are encrypted at rest and in transit. Box's information rights management (IRM) features enable secure access and management of files by providing granular control over users' ability to access, view, download, edit, print or share content. With our Box KeySafe product, organizations can implement higher levels of data security and protection by keeping control of the encryption keys that protect their content. This advanced encryption feature is valuable to many organizations, including those in highly regulated industries such as financial services, health care, government and legal.
- **Administrative Controls.** We give IT administrators powerful tools to define access rights by user, content type, device and business need. Administrators can set specific content policies such as expiration dates to auto-delete files or deactivate links to time-sensitive materials. They can also manage mobile and sync security settings, including specification of which devices have access to Box and whether certain features are enabled.
- **Tracking and Reporting for Visibility.** All actions taken by paying business users and their external collaborators in Box are tracked and auditable by the customers' authorized administrators through Box's native administrative applications. The tracking and audit data are also accessible via our application programming interfaces (APIs) to administrators with the appropriate access rights.
- **Comprehensive Data Governance Strategy.** Box serves as a secure, centralized system of record for retaining content for operational use while ensuring adherence to the laws and regulations concerning them, using data retention and Data Loss Prevention (DLP) capabilities. Our data security policies allow customers to apply quarantine or notification-only policies to sensitive confidential files, such as those containing predefined attributes, such as credit card or social security system numbers, and we provide robust integrations for leading eDiscovery and DLP systems. Our Box Governance product

allows customers to control how long documents are to be retained in Box and the disposition of those documents when the retention period expires.

- **Automation and Workflow Management.** We give IT administrators the power to automate workflows based on a set of rules determined by the end users. For example, documents can be routed to specific folders or flagged for user actions based on the content of the document. This allows customers to accelerate the flow of information through their organizations and increase the efficiency of their business processes.
- **Box Platform for Custom Application Development.** We provide a content Platform-as-a-Service (cPaaS) product, known as Box Platform, to customers, independent software vendors (ISVs), and third-party developers that allows them to leverage our secure content management and collaboration functionality for their own custom business applications. Box Platform helps organizations accelerate their transformation into digital businesses by building applications faster, without having to invest in building their own content management infrastructure.
- **Easy Integration with Other Cloud-Based Applications.** Our open platform allows for easy integration with other cloud-based and enterprise applications. We offer a number of off-the-shelf integrations with leading productivity and business applications from IBM, Microsoft, Salesforce.com, Google and others, as well as an open API for organizations to integrate Box with other packaged and home-grown applications, including solution applications our customers build for their customers.
- **Focus on Industry-Specific Offerings.** In order to facilitate easier and faster time to market, we offer industry-specific solutions for those industries that have significant content and collaboration challenges. These offerings target specific business problems within those industries with a combination of Box, integration with industry-specific partner technologies, implementation expertise from Box Consulting and/or implementation partners, as well as templates for metadata and workflows that are applicable to those industries. For example, Box for Healthcare is a new offering that transforms how healthcare providers work. Tailored specifically for hospitals, this new solution streamlines referral management, enables users to view and share DICOM files (like X-rays, CT Scans and Ultrasounds), reduces the need for manual faxing and scanning, and unlocks data trapped in hospital-based enterprise systems. We are able to serve highly regulated industries with specific requirements relating to compliance with certain security and regulatory standards, such as FedRAMP, and those required by HIPAA, FINRA, and the HITECH Act.
- **Box Zones for In-Region Data Storage.** Box Zones enables businesses around the globe to adopt Box as their modern content management platform, while letting them store their data locally in certain regions. This helps organizations to address region-specific compliance mandates associated with data residency and privacy.

Customers

Our user base includes over 52 million registered users. As of January 31, 2017, approximately 84% of our registered users are non-paying users who have independently registered for accounts and approximately 16% of our registered users are paying users who register as part of a larger enterprise or business account or by using a personal account.

We currently have over 71,000 paying organizations, and our solution is offered in 22 languages. We define paying organizations as separate and distinct buying entities, such as a company, an educational or government institution, or a distinct business unit of a large corporation, that have entered into a subscription agreement with us to utilize our services. Organizations typically purchase our solution in the following ways: (i) employees in one or more small groups within the organization may individually purchase our service; (ii) organizations may purchase IT-sponsored, enterprise-level agreements with deployments for specific, targeted use cases ranging from tens to thousands of user seats; (iii) organizations may purchase IT-sponsored, enterprise-level agreements where the number of user seats sold is intended to accommodate and enable nearly all information workers

within the organization in whatever use cases they desire to adopt over the term of the subscription; or (iv) organizations may purchase our Box Platform service to create custom business applications for their internal use and extended ecosystem of customers, suppliers and partners.

For the year ended January 31, 2017, 60% of the dollar value of orders for our subscription services were from customers with greater than 1,000 employees. No individual customer represented more than 10% of our revenues in the year ended January 31, 2017.

We have developed several programs designed to provide customers with service options to quickly get them up and running and enhance their usage of our cloud content management platform. These services include 24x7 support; a professional services ecosystem that consists of our Box Consulting team and system integrators that help customers implement simple use cases as well as more complex platform and content management oriented use cases; a Customer Success Management group to assist customers in production; and an online help center with self-service training materials, best practice guides and product documentation.

Information about segment and geographic revenue is set forth in Notes 2 and 13 of our Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Sales and Marketing

We offer our solution to our customers as a subscription-based service, with subscription fees based on the requirements of our customers, including the number of users and functionality deployed. The majority of our customers subscribe to our services through one-year contracts, although we also offer our services for terms ranging between one month to three years or more. We typically invoice our customers at the beginning of the term, in multiyear, annual, quarterly or monthly installments. We generally recognize revenue ratably over the term of the subscription period.

We employ a direct sales team to offer a higher touch experience. We also make it easy for users and organizations to subscribe to paid versions of our service on our self-service web portal. Our sales team is composed of inside sales, outbound sales and field sales personnel who are generally organized by account size and geography, and/or major industry focus. We also have a rich ecosystem of channel partners who expand our reach to both large and small enterprises.

We generate customer leads, accelerate sales opportunities and build brand awareness through our marketing programs and through our strategic relationships. Our marketing programs target senior IT leaders, technology professionals and senior line of business leaders.

As a core part of our strategy, we have developed an ecosystem of partners to both broaden and complement our application offerings and to provide a broad array of services that lie outside of Box's areas of focus. These relationships include software and technology partners, consulting and implementation services providers that enable Box to address a broader set of use cases for our customers.

Sales and marketing expenses were \$253.0 million, \$242.2 million and \$207.7 million for the years ended January 31, 2017, 2016 and 2015, respectively.

Research and Development

Our ability to compete depends in large part on our continuous commitment to product development and our ability to rapidly introduce new applications, technologies, features and functionality. In simple conceptual form, we provide a product that allows organizations to securely manage, share and collaborate on files. In practice, we develop and maintain a set of sophisticated software services (e.g., search, share, secure, convert/view, log, etc.) around corporate content. These services, which comprise our platform, are used to develop our own applications (e.g., sync, web, native mobile) and also support the development of third-party applications.

Our product development organization is responsible for the specification, design, development and testing of our platform and applications. We focus our efforts on improving the usability, security, reliability, performance and flexibility of the services in our platform. We continually improve our applications so that they help users and teams become more productive in their day-to-day work.

Research and development expenses were \$115.9 million, \$102.5 million and \$66.4 million for the years ended January 31, 2017, 2016 and 2015, respectively.

Competition

The cloud content management market is large, highly competitive and highly fragmented. It is subject to rapidly evolving technology, shifting customer needs and frequent introductions of new products and services. We face competition from a broad spectrum of technology providers: traditional cloud content management vendors who deploy on-premise and offer deep records management, business process workflow, and archival capabilities; newer mobile enterprise vendors who are beginning to enter the content collaboration market; vendors whose core competency is simple file sync and share, which can be deployed on-premise, hybrid, or via a SaaS delivery model; real-time collaboration vendors whose focus is on real-time voice, video and text communication in the enterprise; and social collaboration vendors who focus on the conversations that occur between teams are adding adjacent content capabilities onto an existing product, or serve a particular business or industry use case. Our current primary competitors include, but are not limited to, established content management vendors such as Microsoft, Google, Dropbox, and Open Text (including Documentum).

We may face future competition in our markets from other large, established companies, as well as from smaller specialized companies. In addition, we expect continued consolidation in our industry which could adversely alter the competitive dynamics of our markets including both pricing and our ability to compete successfully for customers.

The principal competitive factors in our market include:

- enterprise-grade security and compliance;
- ease of user experience;
- scalable product and infrastructure for large deployments;
- speed, availability, and reliability of the service;
- low-cost, quick deployment;
- depth of integration into enterprise applications, including office productivity, desktop and mobile tools;
- current and forward-thinking product development;
- agnostic to device, operating system, and file type;
- metadata capabilities;
- ability to store content in multiple geographic locations;
- automation and workflow management;
- extensible platform for custom application development;
- customer-centric product development;
- rich ecosystem of channel partners and applications;
- superior customer service and commitment to customer success; and
- strength of professional services organization.

We believe that we compete favorably on the basis of these factors. Our ability to remain competitive will depend to a great extent upon our ongoing performance in the areas of product development, core technical innovation, platform and partner ecosystem, and customer support. In addition, many of our competitors, particularly the large software companies named above, may have greater name recognition, longer operating histories, significantly greater resources and established relationships with our partners and customers, which can give them advantageous positioning for their products despite other competitive merits of respective product features and functionality. Some competitors may be able to devote greater resources to the development, promotion and sale of their products than we can to ours, which could allow them to respond more quickly than we can to new technologies and changes in customer needs.

Intellectual Property

We rely on a combination of trade secrets, patents, copyrights and trademarks, as well as contractual protections, to establish and protect our intellectual property rights. As of January 31, 2017, we had 33 issued U.S. patents, 16 issued Great Britain patents, 2 Canadian patents and 1 Japanese patent that expire between 2027 and 2034, and we had 108 pending patent applications in the United States and 10 pending patent applications internationally. We intend to pursue additional patent protection to the extent that we believe it would be beneficial and cost effective.

We require our employees, contractors, consultants and other third parties to enter into confidentiality and proprietary rights agreements and control access to software, documentation and other proprietary information. Although we rely on intellectual property rights, including trade secrets, patents, copyrights and trademarks, as well as contractual protections, to establish and protect our proprietary rights, we believe that factors such as the technological and creative skills of our personnel, creation of new modules, features and functionality, and frequent enhancements to our applications are more essential to establishing and maintaining our technology leadership position.

Despite our efforts to protect our proprietary technology and our intellectual property rights, unauthorized parties may attempt to copy or obtain and use our technology to develop applications with the same functionality as our application. Policing unauthorized use of our technology and intellectual property rights is difficult.

We expect that software and other applications in our industry may be subject to third-party infringement claims as the number of competitors grows and the functionality of applications in different industry segments overlaps. Any of these third parties might make a claim of infringement against us at any time.

Backlog

We generally sign annual and multiple-year subscription contracts for our cloud content management services. The frequency of our invoices to each customer is negotiated and varies among our subscription contracts. We increased our focus on annual payment frequencies for multi-year contracts in the twelve months ended January 31, 2017 compared to the twelve months ended January 31, 2016. As a result, for multi-year contracts, we frequently invoice an initial amount at contract signing followed by subsequent annual invoices. Until amounts are invoiced, they are typically not recorded in revenue, deferred revenue, billings or elsewhere in our consolidated financial statements. To the extent future invoicing is determined to be certain, we consider those future subscription invoices to be non-cancelable backlog. Future invoicing is determined to be certain when we have an executed non-cancelable contract and invoicing is not dependent on a future event such as the delivery of a specific product or feature, or the achievement of contractual contingencies. The amount of non-cancelable backlog was \$258 million and \$184 million as of January 31, 2017 and 2016, respectively.

We expect that the amount of backlog relative to the total value of our contracts will change from year to year due to several factors, including the percentage invoiced early in the contract term, the timing and duration of customer subscription agreements, varying price, volume, and invoicing cycles of subscription contracts, the

timing of customer renewals, changes, and foreign currency fluctuations. Accordingly, we believe that fluctuations in backlog are not always a reliable indicator of future revenue and we do not utilize backlog as a key management metric internally.

Employees

As of January 31, 2017, we had 1,495 employees. None of our employees are represented by a labor union. We have not experienced any work stoppages, and we consider our relations with our employees to be very good.

Corporate Information

Our principal executive offices are located at 900 Jefferson Ave., Redwood City, California 94063, and our telephone number is (877) 729-4269. Our website address is www.box.com, and our investor relations website is located at www.box.com/investors. The information on, or that can be accessed through, our website is not part of this report. We were incorporated in 2005 as Box.Net, Inc., a Washington corporation, and later reincorporated in 2008 under the same name as a Delaware corporation. In November 2011, we changed our name to Box, Inc. The Box design logo, “Box” and our other registered and common law trade names, trademarks and service marks are the property of Box, Inc. Other trademarks, service marks, or trade names appearing in this report are the property of their respective owners.

Available Information

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended. The public may obtain these filings at the Securities and Exchange Commission (the SEC)’s Public Reference Room at 100 F Street, NE, Washington, DC 20549 or by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements and other information that we file with the SEC electronically. Copies of our reports on Form 10-K, Forms 10-Q, Forms 8-K, and amendments to those reports may also be obtained, free of charge, electronically through our investor relations website located at www.box.com/investors as soon as reasonably practical after we file such material with, or furnish it to, the SEC.

We also use our investor relations website as a channel of distribution for important company information. Important information, including press releases, analyst presentations and financial information regarding us, as well as corporate governance information, is routinely posted and accessible on our investor relations website. In addition, important information is routinely posted and accessible on the blog section of our investor relations website, which is accessible by clicking on the tab labeled “Blog” on our investor relations website, as well as certain Twitter accounts, such as @boxhq, @levie and @boxincir. Information on or that can be accessed through our websites or are on these Twitter accounts is not part of this Annual Report on Form 10-K, and the inclusion of our website addresses and Twitter accounts are inactive textual references only.

Item 1A. RISK FACTORS

Investing in our Class A common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Annual Report on Form 10-K, including in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes, before making a decision to invest in our Class A common stock. If any of the risks actually occur, our business, financial condition, operating results and prospects could be materially and adversely affected. In that event, the market price of our Class A common stock could decline, and you could lose part or all of your investment.

Risks Related to Our Business and Our Industry

We have a history of cumulative losses, and we do not expect to be profitable for the foreseeable future.

We have incurred significant losses in each period since our inception in 2005. We incurred net losses of \$151.8 million, \$202.9 million and \$168.2 million in our fiscal years ended January 31, 2017, 2016 and 2015, respectively. As of January 31, 2017, we had an accumulated deficit of \$884.1 million. These losses and accumulated deficit reflect the substantial investments we made to acquire new customers and develop our services. We intend to continue scaling our business to increase our number of users and paying organizations and to meet the increasingly complex needs of our customers. We have invested, and expect to continue to invest, in our sales and marketing organizations to sell our services around the world and in our development organization to deliver additional features and capabilities of our cloud services to address our customers’ evolving needs. We also expect to continue to make significant investments in our infrastructure and in our professional service organization as we focus on customer success. As a result of our continuing investments to scale our business in each of these areas, we do not expect to be profitable for the foreseeable future. Furthermore, to the extent we are successful in increasing our customer base, we will also incur increased losses due to upfront costs associated with acquiring new customers, particularly as a result of the limited free trial version of our service, and the nature of subscription revenue which is generally recognized ratably over the term of the subscription period, which is typically one year, although we also offer our services for terms ranging from one month to three years or more. We cannot assure you that we will achieve profitability in the future or that, if we do become profitable, we will sustain profitability.

We have a limited operating history, which makes it difficult to predict our future operating results.

We were incorporated and introduced our first service in 2005. As a result of our limited operating history, our ability to accurately forecast our future operating results is limited and subject to a number of uncertainties. We have encountered, and will continue to encounter, risks and uncertainties frequently experienced by growing companies in rapidly changing industries, such as the risks and uncertainties described herein. If our assumptions regarding these risks and uncertainties (which we use to plan our business) are incorrect or change due to changes in our markets, or if we do not address these risks and uncertainties successfully, our operating and financial results could differ materially from our expectations, and our business could suffer.

The market in which we participate is intensely competitive, and if we do not compete effectively, our operating results could be harmed.

The market for cloud content management services is fragmented, rapidly evolving and highly competitive, with relatively low barriers to entry for certain applications and services. Many of our competitors and potential competitors are larger and have greater name recognition, substantially longer operating histories, larger marketing budgets and significantly greater resources than we do. Our competitors include, but are not limited to, Microsoft, Google, Dropbox, and Open Text (including Documentum). With the introduction of new technologies and market entrants, we expect competition to continue to intensify in the future. If we fail to compete effectively, our business will be harmed. Some of our principal competitors offer their products or services at a lower price, which has resulted in pricing pressures on our business. If we are unable to achieve our

target pricing levels, our operating results would be negatively impacted. In addition, pricing pressures and increased competition generally could result in reduced sales, lower margins, losses or the failure of our services to achieve or maintain widespread market acceptance, any of which could harm our business.

Many of our competitors are able to devote greater resources to the development, promotion and sale of their products or services. In addition, many of our competitors have established marketing relationships and major distribution agreements with channel partners, consultants, system integrators and resellers. Moreover, many software vendors could bundle products or offer them at lower prices as part of a broader product sale or enterprise license arrangement. Some competitors may offer products or services that address one or a number of business execution functions at lower prices or with greater depth than our services. As a result, our competitors may be able to respond more quickly and effectively to new or changing opportunities, technologies, standards or customer requirements. Furthermore, some potential customers, particularly large enterprises, may elect to develop their own internal solutions. For any of these reasons, we may not be able to compete successfully against our current and future competitors.

If the cloud content management market declines or develops more slowly than we expect, our business could be adversely affected.

The cloud content management market is not as mature as the on-premise enterprise software market, and it is uncertain whether a cloud-based service like ours will achieve and sustain high levels of customer demand and market acceptance. Because we derive, and expect to continue to derive, substantially all of our revenue and cash flows from sales of our cloud content management and collaboration solution, our success will depend to a substantial extent on the widespread adoption of cloud computing in general and of cloud-based content collaboration services in particular. Many organizations have invested substantial personnel and financial resources to integrate traditional enterprise software into their organizations and, therefore, may be reluctant or unwilling to migrate to a cloud-based model for storing, accessing, sharing and managing their content. It is difficult to predict customer adoption rates and demand for our services, the future growth rate and size of the cloud computing market or the entry of competitive services. The expansion of the cloud content management and collaboration market depends on a number of factors, including the cost, performance and perceived value associated with cloud computing, as well as the ability of companies that provide cloud-based services to address security and privacy concerns. If we or other providers of cloud-based services experience security incidents, loss of customer data, disruptions in delivery, network outages, disruptions in the availability of the internet or other problems, the market for cloud-based services as a whole, including our services, may be negatively affected. If cloud-based services do not achieve widespread adoption, or there is a reduction in demand for cloud-based services caused by a lack of customer acceptance, technological challenges, weakening economic conditions, security or privacy concerns, competing technologies and products, decreases in corporate spending or otherwise, it could result in decreased revenue, harm our growth rates, and adversely affect our business and operating results.

We have experienced rapid growth. If we fail to manage our growth effectively, we may be unable to execute our business plan, maintain high levels of service or adequately address competitive challenges.

We have experienced a period of rapid growth in our operations, employee headcount, and the size of our customer base. You should not consider our recent growth as indicative of our future performance. However, we anticipate that we will continue to expand our operations and employee headcount in the near term, including internationally. This growth has placed, and future growth will place, a significant strain on our management, administrative, operational and financial infrastructure. Our success will depend in part on our ability to manage this growth effectively. To manage the expected growth of our operations and personnel, we will need to continue to improve our operational, financial and management controls, as well as our reporting systems and procedures. Failure to effectively manage growth could result in difficulty or delays in deploying customers, declines in quality or customer satisfaction, increases in costs, difficulties in introducing new features or other operational difficulties. Any of these difficulties could adversely impact our business performance and operating results.

Our business depends substantially on customers renewing their subscriptions with us and expanding their use of our services. Any decline in our customer renewals or failure to convince our customers to broaden their use of our services would harm our future operating results.

In order for us to maintain or improve our operating results, it is important that our customers renew their subscriptions with us when their existing subscription term expires. Our customers have no obligation to renew their subscriptions upon expiration, and we cannot assure you that customers will renew subscriptions at the same or higher level of service, if at all. Although our retention rate has historically been high, some of our customers have elected not to renew their subscriptions with us.

Our retention rate may decline or fluctuate as a result of a number of factors, including our customers' satisfaction or dissatisfaction with our services, the effectiveness of our customer support services, our pricing, the prices of competing products or services, mergers and acquisitions affecting our customer base, the effects of global economic conditions or reductions in our customers' spending levels. If our customers do not renew their subscriptions, purchase fewer seats, renew on less favorable terms or fail to purchase new product offerings, our revenue may decline, and we may not realize improved operating results from our customer base.

In addition, the growth of our business depends in part on our customers expanding their use of our services. The use of our cloud content platform often expands within an organization as new users are added or as additional services are purchased by or for other departments within an organization. Further, as we have introduced new services throughout our operating history, our existing customers have constituted a significant portion of the users of such services. If we are unable to encourage our customers to broaden their use of our services, our operating results may be adversely affected.

If we are not able to provide successful enhancements, new features and modifications to our services, our business could be adversely affected.

Our industry is marked by rapid technological developments and new and enhanced applications and services. If we are unable to provide enhancements and new features for our existing services or offer new services that achieve market acceptance or that keep pace with rapid technological developments, our business could be adversely affected. For example, we have introduced Box Platform, which allows our customers to leverage Box's powerful content services within their own custom applications, Box KeySafe, a solution that builds on top of Box's strong encryption and security capabilities to give customers greater control over the encryption keys used to secure the file contents that are stored with Box, Box Zones, which gives global customers the ability to store their data locally in certain regions, Box Accelerator, which improves upload speeds for our global customers, and Box Governance, which gives customers a better way to comply with regulatory policies, satisfy e-discovery requests and effectively manage sensitive business information. The success of enhancements, new features or services depends on several factors, including the timely completion, introduction and market acceptance of such enhancements, features or services. Failure in this regard may significantly impair our revenue growth. In addition, because our services are designed to operate on a variety of systems, we will need to continuously modify and enhance our services to keep pace with changes in internet-related hardware, mobile operating systems such as iOS and Android, and other software, communication, browser and database technologies. We may not be successful in either developing these modifications and enhancements or in bringing them to market in a timely fashion. Furthermore, modifications to existing platforms or technologies will increase our research and development expenses. Any failure of our services to operate effectively with future network platforms and technologies could reduce the demand for our services, result in customer dissatisfaction and adversely affect our business.

Actual or perceived security vulnerabilities in our services or any breaches of our security controls and unauthorized access to a customer's data could harm our business and operating results.

The services we offer involve the storage of large amounts of our customers' sensitive and proprietary information across a broad industry spectrum. Cyber attacks and other malicious internet-based activity continue to increase in frequency and in magnitude generally, and cloud-based content collaboration services have been targeted in the past. These increasing threats are being driven by a variety of sources including nation-state sponsored espionage and hacking activities, industrial espionage, organized crime and hacking groups and individuals. As we increase our customer base and our brand becomes more widely known and recognized, and as our service is used in more heavily regulated industries such as healthcare, government, life sciences, and financial services where there may be a greater concentration of sensitive and protected data, we may become more of a target for these malicious third parties.

If our security measures are or are believed to be inadequate or breached as a result of third-party action, employee negligence, error or malfeasance, product defects or otherwise, and this results in, or is believed to result in, the disruption of the confidentiality, integrity or availability of our customers' data, we could incur significant liability to our customers and to individuals or organizations whose information is being stored by our customers, and our business may suffer and our reputation may be damaged. Techniques used to obtain unauthorized access to, or to sabotage, systems or networks, change frequently and generally are not recognized until launched against a target. Therefore, we may be unable to anticipate these techniques, react in a timely manner, or implement adequate preventive measures. In addition, our customer contracts often include (i) specific obligations that we maintain the availability of the customer's data through our service and that we secure customer content against unauthorized access or loss, and (ii) provisions whereby we indemnify our customers for third-party claims asserted against them that result from our failure to maintain the availability of their content or securing the same from unauthorized access or loss. While our customer contracts contain limitations on our liability in connection with these obligations and indemnities, if an actual or perceived security breach occurs, the market perception of the effectiveness of our security measures could be harmed, we could be subject to indemnity or damage claims in certain customer contracts, and we could lose future sales and customers, any of which could harm our business and operating results. Furthermore, while our errors and omissions insurance policies include liability coverage for these matters, if we experienced a widespread security breach that impacted a significant number of our customers to whom we owe these indemnity obligations, we could be subject to indemnity claims that exceed such coverage.

Our sales to government entities are subject to a number of additional challenges and risks.

We sell to U.S. federal and state and foreign governmental agency customers, and we may increase sales to government entities in the future. Sales to government entities are subject to a number of additional challenges and risks. Selling to government entities can be highly competitive, expensive and time consuming, often requiring significant upfront time and expense without any assurance that these efforts will generate a sale. Government certification requirements may change, or we may lose one or more government certifications, and in doing so restrict our ability to sell into the government sector until we have attained revised certifications. Government demand and payment for our products and services are affected by public sector budgetary cycles and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our solutions. Government entities may also have statutory, contractual or other legal rights to terminate contracts with us for convenience or due to a default, and any such termination may adversely affect our future operating results.

As a substantial portion of our sales efforts are increasingly targeted at enterprise customers, our sales cycle may become increasingly lengthier and more expensive, we may encounter greater pricing pressure and implementation and customization challenges, and we may have to delay revenue recognition for more complicated transactions, all of which could harm our business and operating results.

As a substantial portion of our sales efforts are increasingly targeted at enterprise customers, we face greater costs, longer sales cycles and less predictability in the completion of some of our sales. In this market segment, the customer's decision to use our services may be an enterprise-wide decision, in which case these types of sales require us to provide greater levels of customer education regarding the uses and benefits of our services, as well as education regarding security, privacy, and data protection laws and regulations, especially for those customers in more heavily regulated industries or those with significant international operations. In addition, larger enterprises may demand more customization, integration and support services, and features. As a result of these factors, these sales opportunities may require us to devote greater sales support and professional services resources to these customers, which could increase our costs, lengthen our sales cycle and divert our own sales and professional services resources to a smaller number of larger customers. Meanwhile, this would potentially require us to delay revenue recognition on some of these transactions until the technical or implementation requirements have been met. Professional services may also be performed by a third party or a combination of our own staff and a third party. Our strategy is to work with third parties to increase the breadth of capability and depth of capacity for delivery of these services to our customers. If a customer is not satisfied with the quality or interoperability of our services with their own IT environment, we could incur additional costs to address the situation, which could adversely affect our margins. Moreover, any customer dissatisfaction with our services could damage our ability to encourage broader adoption of our services by that customer. In addition, any negative publicity resulting from such situations, regardless of its accuracy, may further damage our business by affecting our ability to compete for new business with current and prospective customers.

Privacy concerns and laws or other domestic or foreign regulations may reduce the effectiveness of our services and harm our business.

Users can use our services to store identifying information or information that otherwise is considered personal information. Federal, state and foreign government bodies and agencies have adopted or are considering adopting laws and regulations regarding the collection, use and disclosure of personal information obtained from consumers and other individuals. Foreign data protection, privacy, consumer protection and other laws and regulations, particularly in Europe, are often more restrictive than those in the United States. The costs of compliance with, and other burdens imposed by, such laws and regulations that are applicable to our business or the businesses of our customers may limit the use and adoption of our services and reduce overall demand for them.

These U.S. federal and state and foreign laws and regulations, which can be enforced by private parties or governmental entities, are constantly evolving and can be subject to significant change. A number of new laws coming into effect and/or proposals pending before federal, state and foreign legislative and regulatory bodies could affect our business. For example, the European Commission has enacted a general data protection regulation that becomes effective in May 2018 and will supersede current EU data protection legislation, impose more stringent EU data protection requirements, and provide for greater penalties for noncompliance. Additionally, in October 2015, the European Court of Justice invalidated the U.S.-EU Safe Harbor framework that had been in place since 2000, which allowed companies to meet certain European legal requirements for the transfer of personal data from the European Economic Area to the United States. Although U.S. and EU authorities reached a political agreement on February 2, 2016, regarding a new means for legitimizing personal data transfers from the EEA to the United States, the EU-U.S. Privacy Shield, it is facing mounting legal challenges. It is unclear what effect these challenges to the EU-U.S. Privacy Shield will have and whether it will continue to function as an appropriate means for us to legitimize personal data transfers from the EEA to the U.S. Similarly, there have been a number of recent legislative proposals in the United States, at both the federal and state level, that would impose new obligations in areas such as privacy and liability for copyright infringement by

third parties. In June 2016, the United Kingdom held a referendum in which voters approved an exit from the European Union, commonly referred to as “Brexit,” which could also lead to further legislative and regulatory changes. In addition, some countries are considering legislation requiring local storage and processing of data that could increase the cost and complexity of delivering our services.

These existing and proposed laws and regulations can be costly to comply with, can delay or impede the development or adoption of our products and services, reduce the overall demand for our products and services, increase our operating costs, require significant management time and attention, slow the pace at which we close (or prevent us from closing) sales transactions. Additionally, any actual or alleged noncompliance with these laws and regulations could result in negative publicity and subject us to investigations, claims or other remedies, including demands that we modify or cease existing business practices, and expose us to significant fines, penalties and other damages.

Furthermore, government agencies may seek to access sensitive information that our users upload to Box, or restrict users’ access to Box. Laws and regulations relating to government access and restrictions are evolving, and compliance with such laws and regulations could limit adoption of our services by users and create burdens on our business. Moreover, regulatory investigations into our compliance with privacy-related laws and regulations could increase our costs and divert management attention.

If we are not able to satisfy data protection, security, privacy, and other government- and industry-specific requirements, our growth could be harmed.

There are a number of data protection, security, privacy and other government- and industry-specific requirements, including those that require companies to notify individuals of data security incidents involving certain types of personal data. Security compromises experienced by our competitors, by our customers or by us may lead to public disclosures, which could harm our reputation, erode customer confidence in the effectiveness of our security measures, negatively impact our ability to attract new customers, or cause existing customers to elect not to renew their agreements with us. In addition, some of the industries we serve have industry-specific requirements relating to compliance with certain security and regulatory standards, such as FedRAMP, and those required by the HIPAA, FINRA, and the HITECH Act. As we expand into new verticals and regions, we will likely need to comply with these and other new requirements to compete effectively. If we cannot comply or if we incur a violation in one or more of these requirements, our growth could be adversely impacted, and we could incur significant liability.

Because we recognize revenue from subscriptions for our services over the term of the subscription, downturns or upturns in new business may not be immediately reflected in our operating results.

We generally recognize revenue from customers ratably over the terms of their subscription agreements, which are typically one year, although we also offer our services for terms ranging from one month to three years or more. As a result, most of the revenue we report in each quarter is the result of subscription agreements entered into during prior quarters. Consequently, a decline in new or renewed subscriptions in any one quarter may not be reflected in our revenue results for that quarter. However, any such decline will negatively affect our revenue in future quarters. Accordingly, the effect of significant downturns in sales and market acceptance of our services, and potential changes in our retention rate may not be fully reflected in our operating results until future periods. Our subscription model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as revenue from new customers must be recognized over the applicable subscription term.

Our platform must integrate with a variety of operating systems and software applications that are developed by others, and if we are unable to ensure that our solutions interoperate with such systems and applications, our service may become less competitive, and our operating results may be harmed.

We offer our services across a variety of operating systems and through the internet. We are dependent on the interoperability of our platform with third-party mobile devices, tablets, desktop and mobile operating systems, as well as web browsers that we do not control. Any changes in such systems, devices or web browsers that degrade the functionality of our services or give preferential treatment to competitive services could adversely affect usage of our services. In order for us to deliver high quality services, it is important that these services work well with a range of operating systems, networks, devices, web browsers and standards that we do not control. In addition, because a substantial number of our users access our services through mobile devices, we are particularly dependent on the interoperability of our services with mobile devices and operating systems. We may not be successful in developing relationships with key participants in the mobile industry or in developing services that operate effectively with these operating systems, networks, devices, web browsers and standards. In the event that it is difficult for our users to access and use our services, our user growth may be harmed, and our business and operating results could be adversely affected.

We cannot accurately predict new subscription or expansion rates and the impact these rates may have on our future revenue and operating results.

In order for us to improve our operating results and continue to grow our business, it is important that we continue to attract new customers and expand deployment of our solution with existing customers. To the extent we are successful in increasing our customer base, we could incur increased losses because costs associated with new customers are generally incurred up front, while revenue is recognized ratably over the term of our subscription services. Alternatively, to the extent we are unsuccessful in increasing our customer base, we could also incur increased losses as costs associated with marketing programs and new products intended to attract new customers would not be offset by incremental revenue and cash flow. Furthermore, if our customers do not expand their deployment of our services, our revenue may grow more slowly than we expect. All of these factors can negatively impact our future revenue and operating results.

Our quarterly results may fluctuate significantly and may not fully reflect the underlying performance of our business.

Our quarterly operating results, including the levels of our revenue, billings, gross margin, profitability, cash flow, and deferred revenue, may vary significantly in the future, and period-to-period comparisons of our operating results may not be meaningful. Accordingly, the results of any one quarter should not be relied upon as an indication of future performance. Our quarterly financial results may fluctuate as a result of a variety of factors, many of which are outside of our control and, as a result, may not fully reflect the underlying performance of our business. Fluctuations in quarterly results may negatively impact the value of our Class A common stock. Factors that may cause fluctuations in our quarterly financial results include, but are not limited to:

- our ability to attract new customers;
- our ability to convert users of our limited free versions to paying customers;
- the addition or loss of large customers, including through acquisitions or consolidations;
- our retention rate;
- the timing of revenue recognition;
- the impact on billings of shifting our focus to annual (rather than multi-year) payment frequencies from our customers;

- the amount and timing of operating expenses related to the maintenance and expansion of our business, operations and infrastructure;
- network or service outages, internet disruptions or security breaches;
- general economic, industry and market conditions;
- increases or decreases in the number of features in our services or pricing changes upon any renewals of customer agreements;
- changes in our go to market strategies and/or pricing policies and/or those of our competitors;
- seasonal variations in our billings results and sales of our services, which have historically been highest in the fourth quarter of our fiscal year;
- the timing and success of new services and service introductions by us and our competitors or any other change in the competitive dynamics of our industry, including consolidation or new entrants among competitors, customers or strategic partners;
- the success of our strategic partnerships, including the performance of our resellers, and
- the timing of expenses related to the development or acquisition of technologies or businesses and potential future charges for impairment of goodwill from acquired companies.

One of our marketing strategies is to offer a limited free version of our service, and we may not be able to realize the benefits of this strategy.

We offer a limited version of our service to users free of charge in order to promote additional usage, brand and product awareness, and adoption. Some users never convert from a free version to a paid version of our service. Our marketing strategy also depends in part on persuading users who use the free version of our service to convince decision-makers to purchase and deploy our service within their organizations. To the extent that these users do not become, or lead others to become, paying customers, we will not realize the intended benefits of this marketing strategy, and our ability to grow our business and revenue may be harmed.

If we fail to effectively manage our technical operations infrastructure, our customers may experience service outages and delays in the further deployment of our services, which may adversely affect our business.

We have experienced significant growth in the number of users and the amount of data that our operations infrastructure supports. We seek to maintain sufficient excess capacity in our operations infrastructure to meet the needs of all of our customers. We also seek to maintain excess capacity to facilitate the rapid provisioning of new customer deployments and the expansion of existing customer deployments. In addition, we need to properly manage our technological operations infrastructure in order to support version control, changes in hardware and software parameters and the evolution of our services. However, the provision of new hosting infrastructure requires significant lead-time. We have experienced, and may in the future experience, website disruptions, outages and other performance problems. These problems may be caused by a variety of factors, including infrastructure changes, changes to our core services architecture, changes to our infrastructure necessitated by legal and compliance requirements governing the storage and transmission of data, human or software errors, viruses, security attacks, fraud, spikes in customer usage, primary and redundant hardware or connectivity failures, dependent data center and other service provider failures and denial of service issues. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time, which may harm our reputation and operating results. Furthermore, if we do not accurately predict our infrastructure requirements, our customers may experience service outages that may subject us to financial penalties, other liabilities and customer losses. If our operations infrastructure fails to keep pace with increased sales, customers may experience delays as we seek to obtain additional capacity, which could adversely affect our reputation and our business.

Interruptions or delays in service from our third-party datacenter hosting facilities and cloud computing and hosting providers could impair the delivery of our services and harm our business.

We currently store and process our customers' information within three third-party datacenter hosting facilities located in Northern California and in third-party cloud computing and hosting facilities inside and outside of the United States. As part of our current disaster recovery arrangements, our production environment and metadata related to our customers' data is currently replicated in near real time in a facility located in Las Vegas, Nevada. In addition, all of our customers' data is typically replicated on a third-party storage platform located in the U.S. Northwest region. These facilities may be located in areas prone to natural disasters and may experience events such as earthquakes, floods, fires, power loss, telecommunications failures and similar events. They may also be subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. Any damage to, or failure of, our systems generally, or those of the third-party cloud computing and hosting providers, could result in interruptions in our service. Interruptions in our service may reduce our revenue, cause us to issue credits or pay penalties, cause customers to terminate their subscriptions and adversely affect our renewal rate and our ability to attract new customers. In addition, we may not have adequate insurance coverage to compensate for losses from a major interruption. Our business will also be harmed if our customers and potential customers believe our service is unreliable. Despite precautions taken at these facilities, the occurrence of a natural disaster, an act of terrorism, a decision to close the facilities without adequate notice or other unanticipated problems at these facilities could result in lengthy interruptions in our service or cause us to not comply with certification requirements. Even with the disaster recovery arrangements, we have never performed a full live failover of our services and, in an actual disaster, we could learn our recovery arrangements are not sufficient to address all possible scenarios and our service could be interrupted for a longer period than expected. As we continue to add datacenters, increase our dependence on third-party cloud computing and hosting providers, and add capacity in our existing datacenters, we may move or transfer our data and our customers' data. Despite precautions taken during this process, any unsuccessful data transfers may impair the delivery of our service. Further, as we continue to grow and scale our business to meet the needs of our customers, additional burdens may be placed on our hosting and computing facilities. In particular, a rapid expansion of our business could cause our network or systems to fail.

If we overestimate or underestimate our data center capacity requirements, our operating results could be adversely affected.

Only a small percentage of our customers that are organizations currently use our service as a way to organize all of their internal files. In particular, larger organizations and enterprises typically use our service to connect people and their most important information so that they are able to get work done more efficiently. However, over time, we may experience an increase in customers that look to Box as their complete content storage solution. The costs associated with leasing and maintaining our data centers already constitute a significant portion of our capital and operating expenses. We continuously evaluate our short- and long-term data center capacity requirements to ensure adequate capacity for new and existing customers while minimizing unnecessary excess capacity costs. If we overestimate the demand for our cloud content management service and therefore secure excess data center capacity, or if we are unable to meet our contractual minimum commitments, our operating margins could be reduced. If we underestimate our data center capacity requirements, we may not be able to service the expanding needs of new and existing customers and may be required to limit new customer acquisition, which would impair our revenue growth. Furthermore, regardless of our ability to appropriately manage our data center capacity requirements, an increase in the number of organizations, in particular large businesses and enterprises, that use our service as a larger component of their content storage requirements, could result in lower gross and operating margins or otherwise have an adverse impact on our financial condition and operating results.

We depend on highly skilled personnel to grow and operate our business, and if we are unable to hire, retain and motivate our personnel, we may not be able to grow effectively.

Our future success depends upon our continued ability to identify, hire, develop, motivate and retain highly skilled personnel, including senior management, engineers, designers, product managers, sales representatives, and customer support representatives. Our ability to execute efficiently is dependent upon contributions from our employees, including our senior management team and, in particular, Aaron Levie, our co-founder, Chairman and Chief Executive Officer. In addition, occasionally, there may be changes in our senior management team that may be disruptive to our business. If our senior management team, including any new hires that we may make, fails to work together effectively and to execute on our plans and strategies on a timely basis, our business could be harmed.

Our growth strategy also depends on our ability to expand our organization with highly skilled personnel. Identifying, recruiting, training and integrating qualified individuals will require significant time, expense and attention. In addition to hiring new employees, we must continue to focus on retaining our best employees. Many of our employees may be able to receive significant proceeds from sales of our equity in the public markets, which may reduce their motivation to continue to work for us. Competition for highly skilled personnel is intense, particularly in the San Francisco Bay Area, where our headquarters are located. We may need to invest significant amounts of cash and equity to attract and retain new employees, and we may never realize returns on these investments. Changes to U.S. immigration and work authorization laws and regulations can be significantly affected by political forces and levels of economic activity. Our international expansion and our business in general may be materially adversely affected if legislative or administrative changes to immigration or visa laws and regulations impair our hiring processes or projects involving personnel who are not citizens of the country where the work is to be performed.

If we are not able to effectively add and retain employees, our ability to achieve our strategic objectives will be adversely impacted, and our business will be harmed.

We may be sued by third parties for alleged infringement of their proprietary rights.

There is considerable patent and other intellectual property development activity in our industry. Our success depends on our not infringing upon the valid intellectual property rights of others. Our competitors, as well as a number of other entities, including non-practicing entities, and individuals, may own or claim to own intellectual property relating to our industry. For example, in 2016 we settled a lawsuit brought against us by Open Text S.A. that had gone to trial and was pending appeal.

From time to time, certain other third parties have claimed that we are infringing upon their intellectual property rights, and we may be found to be infringing upon such rights. In addition, we cannot assure you that actions by other third parties alleging infringement by us of third-party patents will not be asserted or prosecuted against us. In the future, others may claim that our services and underlying technology infringe or violate their intellectual property rights. However, we may be unaware of the intellectual property rights that others may claim cover some or all of our technology or services. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, prevent us from offering our services, or require that we comply with other unfavorable terms. We may also be obligated to indemnify our customers or business partners or pay substantial settlement costs, including royalty payments, in connection with any such claim or litigation and to obtain licenses, modify services, or refund fees, which could be costly. Even if we were to prevail in such a dispute, any litigation regarding our intellectual property could be costly and time consuming and divert the attention of our management and key personnel from our business operations. During the course of any litigation, we may make announcements regarding the results of hearings and motions, and other interim developments. If securities analysts or investors regard these announcements as negative, the market price of our common stock may decline.

Any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brand.

Our success and ability to compete depend in part on our intellectual property. As of January 31, 2017, we had 33 issued patents in the United States, 16 issued patents in Great Britain, two issued patents in Canada, and one issued patent in Japan, as well as 108 pending patent applications in the United States and 10 pending patent applications internationally. We primarily rely on copyright, trade secret and trademark laws, trade secret protection and confidentiality or license agreements with our employees, customers, partners and others to protect our intellectual property rights. However, the steps we take to protect our intellectual property rights may be inadequate. We may not be able to obtain any further patents, and our pending applications may not result in the issuance of patents. We may also have to expend significant resources to obtain additional patents as we expand our international operations.

In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect these rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming and distracting to management and may result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Accordingly, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property. Our failure to secure, protect and enforce our intellectual property rights could materially adversely affect our brand and adversely impact our business.

We rely on third parties for certain financial and operational services essential to our ability to manage our business. A failure or disruption in these services could materially and adversely affect our ability to manage our business effectively.

We rely on third parties for certain essential financial and operational services. Traditionally, the vast majority of these services have been provided by large enterprise software vendors who license their software to customers. However, we receive many of these services on a subscription basis from various software-as-a-service companies that are smaller and have shorter operating histories than traditional software vendors. Moreover, these vendors provide their services to us via a cloud-based model instead of software that is installed on our premises. We depend upon these vendors to provide us with services that are always available and are free of errors or defects that could cause disruptions in our business processes, and any failure by these vendors to do so, or any disruptions in networks or the availability of the internet, would adversely affect our ability to operate and manage our operations.

We are subject to governmental export controls that could impair our ability to compete in international markets due to licensing requirements and economic sanctions programs that subject us to liability if we are not in full compliance with applicable laws.

Certain of our services are subject to export controls, including the U.S. Department of Commerce's Export Administration Regulations and various economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Controls. The provision of our products and services must comply with these laws. The U.S. export control laws and U.S. economic sanctions laws include prohibitions on the sale or supply of certain products and services to U.S. embargoed or sanctioned countries, governments, persons and entities and also require authorization for the export of encryption items. In addition, various countries regulate the import of certain encryption technology, including through import permitting and licensing requirements, and have enacted laws that could limit our ability to distribute our services or could limit our customers' ability to implement our services in those countries.

Although we take precautions to prevent our services from being provided in violation of such laws, our solutions may have been in the past, and could in the future be, provided inadvertently in violation of such laws,

despite the precautions we take. If we fail to comply with these laws, we and our employees could be subject to civil or criminal penalties, including the possible loss of export privileges, monetary penalties, and, in extreme cases, imprisonment of responsible employees for knowing and willful violations of these laws. We may also be adversely affected through penalties, reputational harm, loss of access to certain markets, or otherwise.

Changes in tariffs, sanctions, and export/import laws may delay the introduction and sale of our services in international markets, prevent our customers with international operations from deploying our services or, in some cases, prevent the export or import of our services to certain countries, governments, persons or entities altogether. Any change in export or import regulations, economic sanctions or related laws, shift in the enforcement or scope of existing regulations, or change in the countries, governments, persons or technologies targeted by such regulations, could result in decreased use of our services, or in our decreased ability to export or sell our services to existing or potential customers with international operations. Any decrease in the use of our services or limitation on our ability to export or sell our services would likely adversely affect our business, financial condition and operating results.

We focus on product innovation and user engagement rather than short-term operating results.

We focus heavily on developing and launching new and innovative products and features, as well as on improving the user experience for our services. We also focus on growing the number of users and paying organizations through inside sales, outbound sales, field sales, channel sales and through word-of-mouth by individual users, some of whom use our services at no cost. We prioritize innovation and the experience for users on our platform, as well as the growth of our user base, over short-term operating results. We frequently make product and service decisions that may reduce our short-term operating results if we believe that the decisions are consistent with our goals to improve the user experience and to develop innovative features that we feel our users desire. These decisions may not be consistent with the short-term expectations of investors and may not produce the long-term benefits that we expect.

We provide service level commitments under our subscription agreements. If we fail to meet these contractual commitments, we could be obligated to provide credits or refunds for prepaid amounts related to unused subscription services or face subscription terminations, which could adversely affect our revenue. Furthermore, any failure in our delivery of high-quality customer support services may adversely affect our relationships with our customers and our financial results.

Our subscription agreements with customers provide certain service level commitments. If we are unable to meet the stated service level commitments or suffer periods of downtime that exceed the periods allowed under our customer agreements, we may be obligated to provide these customers with service credits which could significantly impact our revenue in the period in which the downtime occurs and the credits could be due. We could also face subscription terminations, which could significantly impact both our current and future revenue. Any extended service outages could also adversely affect our reputation, which would also impact our future revenue and operating results.

Our customers depend on our customer success organization to resolve technical issues relating to our services. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for support services. Increased customer demand for these services, without corresponding revenue, could increase costs and adversely affect our operating results. In addition, our sales process is highly dependent on the ease of use of our services, on our reputation and on positive recommendations from our existing customers. Any failure to maintain high-quality customer support, or a market perception that we do not maintain high-quality support, could adversely affect our reputation and our ability to sell our services to existing and prospective customers.

Our services are becoming increasingly mission-critical for our customers and if they fail to perform properly or if we are unable to scale our services to meet the needs of our customers, our reputation could be adversely affected, our market share could decline and we could be subject to liability claims.

Our core services and our expanded offerings such as Box KeySafe, Box Governance and Box Platform are becoming increasingly mission-critical to our customers' internal and external business operations, as well as their ability to comply with legal requirements, regulations, and standards such as FINRA, HIPAA, and FedRAMP. These services and offerings are inherently complex and may contain material defects or errors. Any defects either in functionality or that cause interruptions in the availability of our services, as well as user error, could result in:

- loss or delayed market acceptance and sales;
- breach of contract or warranty claims;
- issuance of sales credits or refunds for prepaid amounts related to unused subscription services;
- loss of customers;
- diversion of development and customer service resources; and
- harm to our reputation.

The costs incurred in correcting any material defects or errors might be substantial and could adversely affect our operating results.

Because of the large amount of data that we collect and manage, it is possible that hardware failures, errors in our systems, user errors, or internet outages could result in data loss or corruption that our customers regard as significant. Furthermore, the availability or performance of our services could be adversely affected by a number of factors, including customers' inability to access the internet, the failure of our network or software systems, security breaches or variability in customer traffic for our services. We may be required to issue credits or refunds for prepaid amounts related to unused services or otherwise be liable to our customers for damages they may incur resulting from some of these events. In addition to potential liability, if we experience interruptions in the availability of our services, our reputation could be adversely affected, which could result in the loss of customers. For example, our customers access our services through their internet service providers. If a service provider fails to provide sufficient capacity to support our services or otherwise experiences service outages, such failure could interrupt our customers' access to our services, adversely affect their perception of our services' reliability and consequently reduce our revenue.

Our errors and omissions insurance may be inadequate or may not be available in the future on acceptable terms, or at all. In addition, our policy may not cover all claims made against us, and defending a lawsuit, regardless of its merit, could be costly and divert management's attention.

Furthermore, we will need to ensure that our services can scale to meet the needs of our customers, particularly as we continue to focus on larger enterprise customers. If we are not able to provide our services at the scale required by our customers, potential customers may not adopt our solution and existing customers may not renew their agreements with us.

If the prices we charge for our services are unacceptable to our customers, our operating results will be harmed.

As the market for our services matures, or as new or existing competitors introduce new products or services that compete with ours, we may experience pricing pressure and be unable to renew our agreements with existing customers or attract new customers at prices that are consistent with our pricing model and operating budget. If this were to occur, it is possible that we would have to change our pricing model or reduce our prices, which could harm our revenue, gross margin and operating results.

Sales to customers outside the United States or with international operations expose us to risks inherent in international sales.

A key element of our growth strategy is to expand our international operations and develop a worldwide customer base. To date, we have not realized a substantial portion of our revenue from customers outside the United States. Operating in international markets requires significant resources and management attention and will subject us to regulatory, economic, geographic, social, and political risks that are different from those in the United States. Because of our limited experience with international operations and significant differences between international and U.S. markets, our international expansion efforts may not be successful in creating demand for our services outside of the United States or in effectively selling subscriptions to our services in all of the international markets we enter. In addition, we will face specific risks in doing business internationally that could adversely affect our business, including:

- the need to localize and adapt our services for specific countries, including translation into foreign languages and associated expenses;
- laws relating to privacy, data protection and data transfer that, among other things, could require that customer data be stored and processed in a designated territory;
- difficulties in staffing and managing foreign operations;
- different pricing environments, longer sales cycles and longer accounts receivable payment cycles and collections issues;
- new and different sources of competition;
- weaker protection for intellectual property and other legal rights than in the United States and practical difficulties in enforcing intellectual property and other rights outside of the United States;
- laws and business practices favoring local competitors;
- changes in the geopolitical environment and the related impact on the perception of doing business with US based companies;
- compliance challenges related to the complexity of multiple, conflicting and changing governmental laws and regulations, including employment, tax, privacy and data protection laws and regulations;
- increased financial accounting and reporting burdens and complexities;
- restrictions on the transfer of funds;
- adverse tax consequences; and
- unstable regional, economic, social and political conditions.

We sell our services and incur operating expenses in various currencies. Therefore, fluctuations in the value of the U.S. dollar and foreign currencies may impact our operating results when translated into U.S. dollars. We currently manage our exchange rate risk by matching foreign currency assets with payables and by maintaining minimal non-USD cash reserves, but we do not have any other hedging programs in place to limit the risk of exchange rate fluctuation. In the future, however, to the extent our foreign currency exposures become more material, we may elect to deploy normal and customary hedging practices designed to more proactively mitigate such exposure. We cannot be certain such practice will ultimately be available and/or effective at mitigating all foreign currency risk to which we are exposed. If we are unsuccessful in detecting material exposures in a timely manner, our deployed hedging strategies are not effective, or there are no hedging strategies available for certain exposures which are prudent given the risks associated and the potential mitigation of the underlying exposure achieved, our operating results or financial position could be adversely affected in the future.

We are also monitoring developments related to Brexit, which could have significant implications for our business. Brexit could lead to economic and legal uncertainty, including significant volatility in global stock markets and currency exchange rates, and differing laws and regulations as the United Kingdom determines which European Union laws to replace or replicate. Any of these effects of Brexit, among others, could adversely affect our operations in the United Kingdom and our financial results.

Failure to adequately expand our direct sales force and successfully maintain our online sales experience will impede our growth.

We will need to continue to expand and optimize our sales infrastructure in order to grow our customer base and our business. We plan to continue to expand our direct sales force, both domestically and internationally. Identifying and recruiting qualified personnel and training them requires significant time, expense and attention. Our business may be adversely affected if our efforts to expand and train our direct sales force do not generate a corresponding increase in revenue. If we are unable to hire, develop and retain talented sales personnel or if new direct sales personnel are unable to achieve desired productivity levels in a reasonable period of time, we may not be able to realize the intended benefits of this investment or increase our revenue.

We maintain our Box website to efficiently service our high volume, low dollar customer transactions and certain customer inquiries. Our goal is to continue to evolve this online experience so it effectively serves the increasing and changing needs of our growing customer base. If we are unable to maintain the effectiveness of our online solution to meet the future needs of our online customers, we could see reduced online sales volumes as well as a decrease in our sales efficiency, which could adversely affect our results of operations.

If we are unable to maintain and promote our brand, our business and operating results may be harmed.

We believe that maintaining and promoting our brand is critical to expanding our customer base. Maintaining and promoting our brand will depend largely on our ability to continue to provide useful, reliable and innovative services, which we may not do successfully. We may introduce new features, products, services or terms of service that our customers do not like, which may negatively affect our brand and reputation. Additionally, the actions of third parties may affect our brand and reputation if customers do not have a positive experience using third-party apps or other services that are integrated with Box. Maintaining and enhancing our brand may require us to make substantial investments, and these investments may not achieve the desired goals. If we fail to successfully promote and maintain our brand or if we incur excessive expenses in this effort, our business and operating results could be adversely affected.

Our growth depends in part on the success of our strategic relationships with third parties.

In order to grow our business, we anticipate that we will continue to depend on our relationships with third parties, such as alliance partners, distributors, system integrators and developers. For example, we have entered into agreements with partners such as AT&T, IBM, Microsoft and Google to market, resell, integrate with or endorse our services. Identifying partners and resellers, and negotiating and documenting relationships with them, requires significant time and resources. Also, we depend on our ecosystem of system integrators, partners and developers to create applications that will integrate with our platform or permit us to integrate with their product offerings. Our competitors may be effective in providing incentives to third parties to favor their products or services, or to prevent or reduce subscriptions to our services. In some cases, we also compete directly with our partners' product offerings, and if these partners stop reselling or endorsing our services or impede our ability to integrate our services with their products, our business and operating results could be adversely affected. In addition, acquisitions of our partners by our competitors could result in a decrease in the number of current and potential customers, as our partners may no longer facilitate the adoption of our services by potential customers.

If we are unsuccessful in establishing or maintaining our relationships with third parties, our ability to compete in the marketplace or to grow our revenue could be impaired and our operating results may suffer. Even if we are successful, we cannot assure you that these relationships will result in increased customer usage of our services or increased revenue.

Furthermore, if our partners and resellers fail to perform as expected, our reputation may be harmed and our business and operating results could be adversely affected.

We depend on our ecosystem of system integrators, partners and developers to create applications that will integrate with our platform or to allow us to integrate with their products.

We depend on our ecosystem of system integrators, partners and developers to create applications that will integrate with our platform and to allow us to integrate with their products. This presents certain risks to our business, including:

- we cannot provide any assurance that these third-party applications and products meet the same quality standards that we apply to our own development efforts, and to the extent that they contain bugs or defects, they may create disruptions in our customers' use of our services or negatively affect our brand;
- we do not currently provide support for software applications developed by our partner ecosystem, and users may be left without support and potentially cease using our services if these system integrators and developers do not provide adequate support for their applications;
- we cannot provide any assurance that we will be able to successfully integrate our services with our partners' products or that our partners will continue to provide us the right to do so; and
- these system integrators, partners and developers may not possess the appropriate intellectual property rights to develop and share their applications.

Many of these risks are not within our control to prevent, and our brand may be damaged if these applications do not perform to our users' satisfaction and that dissatisfaction is attributed to us.

Our company culture has contributed to our success, and if we cannot maintain this culture as we grow, we could lose the innovation, creativity and teamwork fostered by our culture, and our business may be harmed.

We believe that our culture has been and will continue to be a key contributor to our success. We expect to continue to hire additional employees as we expand our business. If we do not continue to develop our company culture or maintain our core values as we grow and evolve both in the United States and internationally, we may be unable to foster the innovation, creativity and teamwork we believe we need to support our growth.

Our services contain open source software, and we license some of our software through open source projects, which may pose particular risks to our proprietary software, products, and services in a manner that could have a negative impact on our business.

We use open source software in our services and will use open source software in the future. In addition, we regularly contribute software source code to open source projects under open source licenses or release internal software projects under open source licenses, and anticipate doing so in the future. The terms of many open source licenses to which we are subject have not been interpreted by U.S. or foreign courts, and there is a risk that open source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to provide or distribute our services. Additionally, we may from time to time face claims from third parties claiming ownership of, or demanding release of, the open source software or derivative works that we developed using such software, which could include our proprietary source code, or otherwise

seeking to enforce the terms of the applicable open source license. These claims could result in litigation and could require us to make our software source code freely available, purchase a costly license or cease offering the implicated services unless and until we can re-engineer them to avoid infringement. This re-engineering process could require significant additional research and development resources, and we may not be able to complete it successfully. In addition to risks related to license requirements, use of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of software. Additionally, because any software source code we contribute to open source projects is publicly available, our ability to protect our intellectual property rights with respect to such software source code may be limited or lost entirely, and we are unable to prevent our competitors or others from using such contributed software source code. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could have a negative effect on our business, financial condition and operating results.

Future acquisitions and investments could disrupt our business and harm our financial condition and operating results.

Our success will depend, in part, on our ability to expand our services and grow our business in response to changing technologies, customer demands, and competitive pressures. In some circumstances, we may choose to do so through the acquisition of complementary businesses, teams of employees, and technologies rather than through internal development. For example, the team from Wagon Analytics, a data analytics company, joined us in September 2016, and, in 2015, we acquired Verold, a cloud-based 3D model viewer and editor to make it easy for businesses to create engaging and immersive content experiences for the web and mobile. The identification of suitable acquisition candidates can be difficult, time-consuming and costly, and we may not be able to successfully complete or integrate identified acquisitions. The risks we face in connection with acquisitions include:

- diversion of management time and focus from operating our business to addressing acquisition integration challenges;
- coordination of research and development and sales and marketing functions;
- retention of key employees from the acquired company;
- cultural challenges associated with integrating employees from the acquired company into our organization;
- integration of the acquired company's accounting, management information, human resources and other administrative systems;
- the need to implement or improve controls, procedures, and policies at a business that prior to the acquisition may have lacked effective controls, procedures and policies;
- liability for activities of the acquired company before the acquisition, including intellectual property infringement claims, violations of laws, commercial disputes, tax liabilities and other known and unknown liabilities;
- unanticipated write-offs or charges; and
- litigation or other claims in connection with the acquired company, including claims from terminated employees, customers, former stockholders or other third parties.

Our failure to address these risks or other problems encountered in connection with our past or future acquisitions and investments could cause us to fail to realize the anticipated benefits of these acquisitions or investments, cause us to incur unanticipated liabilities, and harm our business generally. Future acquisitions could also result in dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities, amortization expenses, incremental operating expenses or the write-off of goodwill, any of which could harm our financial condition or operating results.

We may require additional capital to support our operations or the growth of our business, and we cannot be certain that this capital will be available on reasonable terms when required, or at all.

On occasion, we may need additional financing to operate or grow our business. Our ability to obtain additional financing, if and when required, will depend on investor and lender demand, our operating performance, the condition of the capital markets and other factors. We cannot guarantee that additional financing will be available to us on favorable terms when required, or at all. If we raise additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences or privileges senior to the rights of our Class A common stock, and our existing stockholders may experience dilution. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support the operation or growth of our business could be significantly impaired and our operating results may be harmed.

Financing agreements we are party to or may become party to may contain operating and financial covenants that restrict our business and financing activities.

Our existing credit agreement contains certain operating and financial restrictions and covenants, including the prohibition of the incurrence of certain indebtedness and liens, the prohibition of certain investments, restrictions against certain merger and consolidation transactions, certain restrictions against the disposition of assets and the requirement to maintain a minimum amount of current assets. These restrictions and covenants, as well as those contained in any future financing agreements that we may enter into, may restrict our ability to finance our operations, engage in, expand or otherwise pursue our business activities and strategies. Our ability to comply with these covenants may be affected by events beyond our control, and breaches of these covenants could result in a default under the credit agreement and any future financial agreements that we may enter into. If not waived, defaults could cause our outstanding indebtedness under our credit agreement and any future financing agreements that we may enter into to become immediately due and payable.

Adverse economic conditions may negatively impact our business.

Our business depends on the overall demand for cloud content management and collaboration and on the economic health of our current and prospective customers. The United States and other key international economies have experienced cyclical downturns from time to time that have resulted in a significant weakening of the economy, more limited availability of credit, a reduction in business confidence and activity, and other difficulties that may affect one or more of the industries to which we sell our services. Uncertainty about economic conditions in the United States, Europe and other key markets for our services could cause customers to delay or reduce their information technology spending. This could result in reductions in sales of our services, longer sales cycles, reductions in subscription duration and value, slower adoption of new technologies and increased price competition. Any of these events would likely have an adverse effect on our business, operating results and financial position. In addition, there can be no assurance that cloud content management and collaboration spending levels will increase following any recovery.

Changes in laws and regulations related to the internet or changes in the internet infrastructure itself, or disruption in access to the internet or critical services on which the internet depends, may diminish the demand for our services, and could have a negative impact on our business.

The future success of our business depends upon the continued use and availability of the internet as a primary medium for commerce, communication and business services. Federal, state or foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws or regulations affecting the use of the internet as a commercial medium. The adoption of any laws or regulations that could adversely affect the growth, popularity or use of the internet, including laws or practices limiting internet neutrality, could decrease the demand for, or the usage of, our products and services, increase our cost of doing business, adversely affect our operating results, and require us to modify our services in order to comply with these changes. In addition,

government agencies or private organizations may begin to impose taxes, fees or other charges for accessing the internet or commerce conducted via the internet. These laws or charges could limit the growth of internet-related commerce or communications generally, or result in reductions in the demand for internet-based services such as ours.

In addition, the use of the internet and, in particular, the cloud as a business tool could be adversely affected due to delays in the development or adoption of new standards and protocols to handle increased demands of internet activity, security, reliability, cost, ease of use, accessibility, and quality of service. The performance of the internet and its acceptance as a business tool have been adversely affected by “viruses,” “worms”, “denial of service attacks” and similar malicious activity. The internet has also experienced a variety of outages, disruptions and other delays as a result of this malicious activity targeted at critical internet infrastructure. These service disruptions could diminish the overall attractiveness to existing and potential customers of services that depend on the internet and could cause demand for our services to suffer.

We employ third-party licensed software for use in or with our services, and the inability to maintain these licenses or errors in the software we license could result in increased costs, or reduced service levels, which would adversely affect our business.

Our services incorporate certain third-party software obtained under licenses from other companies. We anticipate that we will continue to rely on such third-party software and development tools in the future. Although we believe that there are commercially reasonable alternatives to the third-party software we currently license, this may not always be the case, or it may be difficult or costly to replace. In addition, integration of the software used in our services with new third-party software may require significant work and require substantial investment of our time and resources. Also, to the extent that our services depend upon the successful operation of third-party software in conjunction with our software, any undetected errors or defects in this third-party software could prevent the deployment or impair the functionality of our services, delay new services introductions, result in a failure of our services, and injure our reputation. Our use of additional or alternative third-party software would require us to enter into additional license agreements with third parties.

If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, the Sarbanes-Oxley Act and the listing standards of the New York Stock Exchange (NYSE). We expect that the requirements of these rules and regulations will continue to increase our legal, accounting and financial compliance costs, make some activities more difficult, time consuming and costly, and place significant strain on our personnel, systems and resources.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures, and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is properly recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. We are also continuing to improve our internal control over financial reporting. We have expended, and anticipate that we will continue to expend, significant resources in order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business, including increased complexity resulting from our international expansion. Further, weaknesses in our disclosure controls or our internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls, or any difficulties encountered in their

implementation or improvement, could harm our operating results or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting could also adversely affect the results of management reports and independent registered public accounting firm audits of our internal control over financial reporting that we will be required to include in our periodic reports that will be filed with the SEC. Ineffective disclosure controls and procedures, and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the market price of our Class A common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the NYSE.

Any failure to maintain effective disclosure controls and internal control over financial reporting could have a material and adverse effect on our business and operating results, and cause a decline in the market price of our Class A common stock.

Failure to comply with anti-bribery, anti-corruption, and anti-money laundering laws could subject us to penalties and other adverse consequences.

We are subject to the Foreign Corrupt Practices Act, or the FCPA, the U.K. Bribery Act and other anti-corruption, anti-bribery and anti-money laundering laws in various jurisdictions both domestic and abroad. In addition to our own sales force, we also leverage third parties to sell our products and services and conduct our business abroad. We and our third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities and may be held liable for the corrupt or other illegal activities of these third-party business partners and intermediaries, our employees, representatives, contractors, channel partners, and agents, even if we do not explicitly authorize such activities. While we have policies and procedure to address compliance with such laws, we cannot assure you that all of our employees and agents will not take actions in violation of our policies and applicable law, for which we may be ultimately held responsible. Any violation of the FCPA or other applicable anti-bribery, anti-corruption laws, and anti-money laundering laws could result in whistleblower complaints, adverse media coverage, investigations, loss of export privileges, severe criminal or civil sanctions, or suspension or debarment from U.S. government contracts, all of which may have an adverse effect on our reputation, business, operating results and prospects.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

As of January 31, 2017, we had U.S. federal net operating loss carryforwards of approximately \$518.0 million, state net operating loss carryforwards of approximately \$498.6 million, and foreign net operating loss carryforwards of approximately \$164.8 million. Under Sections 382 and 383 of Internal Revenue Code of 1986, as amended (Code), if a corporation undergoes an “ownership change,” the corporation’s ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes, such as research tax credits, to offset its post-change income and taxes may be limited. In general, an “ownership change” occurs if there is a cumulative change in our ownership by “5% shareholders” that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws. We have in the past experienced an ownership change which has impacted our ability to fully realize the benefit of these net operating loss carryforwards. If we experience additional ownership changes as a result of future transactions in our stock, then we may be further limited in our ability to use our net operating loss carryforwards and other tax assets to reduce taxes owed on the net taxable income that we earn. Any such limitations on the ability to use our net operating loss carryforwards and other tax assets could adversely impact our business, financial condition and operating results.

Tax laws or regulations could be enacted or changed and existing tax laws or regulations could be applied to us or to our customers in a manner that could increase the costs of our services and adversely impact our business.

The application of federal, state, local and international tax laws to services provided electronically is unclear and continuously evolving. Income, sales, use or other tax laws, statutes, rules, regulations or ordinances could be enacted or amended at any time, possibly with retroactive effect, and could be applied solely or disproportionately to services provided over the internet. These enactments or amendments could adversely affect our sales activity due to the inherent cost increase the taxes would represent and ultimately result in a negative impact on our operating results and cash flows.

In addition, existing tax laws, statutes, rules, regulations or ordinances could be interpreted or applied adversely to us, possibly with retroactive effect, which could require us or our customers to pay additional tax amounts, as well as require us or our customers to pay fines or penalties, as well as interest for past amounts. If we are unsuccessful in collecting such taxes due from our customers, we could be held liable for such costs, thereby adversely impacting our operating results and cash flows.

We may be subject to additional tax liabilities.

We are subject to income, sales, use, value added and other taxes in the United States and other countries in which we conduct business, and such laws and rates vary by jurisdiction. Certain jurisdictions in which we do not collect sales, use, value added or other taxes on our sales may assert that such taxes are applicable, which could result in tax assessments, penalties and interest, and we may be required to collect such taxes in the future. Significant judgment is required in determining our worldwide provision for income taxes. These determinations are highly complex and require detailed analysis of the available information and applicable statutes and regulatory materials. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different from our historical tax practices, provisions and accruals. If we receive an adverse ruling as a result of an audit, or we unilaterally determine that we have misinterpreted provisions of the tax regulations to which we are subject, there could be a material effect on our tax provision, net loss or cash flows in the period or periods for which that determination is made. In addition, liabilities associated with taxes are often subject to an extended or indefinite statute of limitations period. Therefore, we may be subject to additional tax liability (including penalties and interest) for a particular year for extended periods of time.

Our reported financial results may be adversely affected by changes in accounting principles generally accepted in the United States.

Generally accepted accounting principles (GAAP) in the United States are subject to interpretation by the Financial Accounting Standards Board (FASB), the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and could affect the reporting of transactions completed before the announcement of a change. For example, in May 2014, the FASB issued accounting standards update No. 2014-09 (Topic 606), *Revenue from Contracts with Customers*, which supersedes nearly all existing revenue recognition guidance under U.S. GAAP and becomes effective for us beginning the first quarter of fiscal 2019. We are still evaluating the total impact of the new revenue standard. In addition, were we to change our critical accounting estimates, including the timing of recognition of subscription revenue and other revenue sources, our results of operations could be significantly impacted. These or other changes in accounting principles could adversely affect our financial results. Any difficulties in implementing these pronouncements could cause us to fail to meet our financial reporting obligations, which could result in regulatory discipline and harm investors' confidence in us.

Risks Related to Ownership of Our Class A Common Stock

The dual class structure of our common stock has the effect of concentrating voting control with those stockholders who held our capital stock prior to the completion of our initial public offering, including our executive officers, employees and directors and their affiliates, which limits your ability to influence the outcome of important transactions, including a change in control.

Our Class B common stock has 10 votes per share, and our Class A common stock has one vote per share. Stockholders who held shares of our Class B common stock as of January 31, 2017, including our executive officers, employees and directors and their affiliates, collectively held approximately 90.2% of the voting power of our outstanding capital stock as of such date. Because of the ten-to-one voting ratio between our Class B common stock and Class A common stock, the holders of our Class B common stock collectively continue to control a majority of the combined voting power of our capital stock and therefore are able to control all matters submitted to our stockholders for approval so long as the shares of our Class B common stock represent at least 9.1% of all outstanding shares of our Class A common stock and Class B common stock. These holders of our Class B common stock may also have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. This concentrated control may have the effect of delaying, preventing or deterring a change in control of our company, could deprive our stockholders of an opportunity to receive a premium for their capital stock as part of a sale of our company and might ultimately affect the market price of our Class A common stock.

Transfers by holders of our Class B common stock will generally result in those shares converting into shares of our Class A common stock, subject to limited exceptions, such as certain transfers effected for estate planning or charitable purposes. The conversion of shares of our Class B common stock into shares of our Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term. If, for example, Messrs. Levie, Levin and Smith retain a significant portion of their holdings of our Class B common stock for an extended period of time, they could control a significant portion of the voting power of our capital stock for the foreseeable future. As board members, Messrs. Levie, Levin and Smith each owe a fiduciary duty to our stockholders and must act in good faith and in a manner they reasonably believe to be in the best interests of our stockholders. As stockholders, Messrs. Levie, Levin and Smith are entitled to vote their shares in their own interests, which may not always be in the interests of our stockholders generally.

Anti-takeover provisions contained in our amended and restated certificate of incorporation and amended and restated bylaws, as well as provisions of Delaware law, could impair a takeover attempt.

Our amended and restated certificate of incorporation, amended and restated bylaws and Delaware law contain provisions which could have the effect of rendering more difficult, delaying or preventing an acquisition deemed undesirable by our board of directors. Among other things, our amended and restated certificate of incorporation and amended and restated bylaws include provisions:

- creating a classified board of directors whose members serve staggered three-year terms;
- authorizing “blank check” preferred stock, which could be issued by our board of directors without stockholder approval and may contain voting, liquidation, dividend and other rights superior to our common stock;
- limiting the liability of, and providing indemnification to, our directors and officers;
- limiting the ability of our stockholders to call and bring business before special meetings;
- requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our board of directors;
- controlling the procedures for the conduct and scheduling of board directors and stockholder meetings; and
- authorizing two classes of common stock, as discussed above.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our management.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law, which prevents certain stockholders holding more than 15% of our outstanding capital stock from engaging in certain business combinations without approval of the holders of at least two-thirds of our outstanding common stock not held by such stockholder.

Any provision of our amended and restated certificate of incorporation, amended and restated bylaws or Delaware law that has the effect of delaying, preventing or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our capital stock, and could also affect the price that some investors are willing to pay for our Class A common stock.

The market price of our Class A common stock has been and may continue to be volatile, and you could lose all or part of your investment.

The market price of our Class A common stock has been and may continue to be subject to wide fluctuations in response to various factors, some of which are beyond our control and may not be related to our operating performance. For example, from February 1, 2016 through January 31, 2017, the closing price of our Class A common stock ranged from \$9.12 per share to \$17.40 per share. In addition to the factors discussed in this “Risk Factors” section and elsewhere in this Annual Report on Form 10-K, factors that could cause fluctuations in the market price of our Class A common stock include the following:

- price and volume fluctuations in the overall stock market from time to time;
- volatility in the market prices and trading volumes of technology stocks;
- changes in operating performance and stock market valuations of other technology companies generally or those in our industry in particular;
- sales of shares of our Class A common stock by us or our stockholders;
- failure of securities analysts to maintain coverage and/or to provide accurate consensus results of us, changes in financial estimates by securities analysts who follow us, or our failure to meet these estimates or the expectations of investors;
- the financial projections we may provide to the public, any changes in those projections or our failure to meet those projections;
- announcements by us or our competitors of new products or services;
- the public’s reaction to our press releases, other public announcements and filings with the SEC;
- rumors and market speculation involving us or other companies in our industry;
- actual or anticipated changes in our operating results or fluctuations in our operating results;
- actual or anticipated developments in our business, our competitors’ businesses or the competitive landscape generally;
- litigation involving us, our industry or both, or investigations by regulators into our operations or those of our competitors;
- developments or disputes concerning our intellectual property or other proprietary rights;
- announced or completed acquisitions of businesses or technologies by us or our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;

- changes in accounting standards, policies, guidelines, interpretations or principles;
- any significant change in our management; and
- general economic conditions and slow or negative growth of our markets.

In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business, our market or our competitors, or if they adversely change their recommendations regarding our Class A common stock, the market price of our Class A common stock and trading volume could decline.

The trading market for our Class A common stock is influenced, to some extent, by the research and reports that securities or industry analysts publish about us, our business, our market or our competitors. If any of the analysts who cover us adversely change their recommendations regarding our Class A common stock or provide more favorable recommendations about our competitors, the market price of our Class A common stock would likely decline. If any of the analysts who may cover us were to cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the market price of our Class A common stock or trading volume to decline.

We do not expect to declare any dividends in the foreseeable future.

We do not anticipate declaring any cash dividends to holders of our Class A common stock in the foreseeable future. Consequently, investors may need to rely on sales of our Class A common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Investors seeking cash dividends should not purchase shares of our Class A common stock.

Item 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

Item 2. PROPERTIES

Our corporate headquarters, which includes research and development, sales, marketing, business operations and executive offices, is located in Redwood City, California. It consists of approximately 340,000 square feet of space under a lease that expires in fiscal 2029. We sublease a portion of this space.

We also lease offices in San Francisco, California; Austin, Texas; New York, New York; Amsterdam, Netherlands; London, England; Paris, France; Stockholm, Sweden; and Tokyo, Japan. We intend to procure additional space as we add employees in our current locations and expand geographically. We believe that our facilities are adequate to meet our needs for the immediate future, and that, should it be needed, suitable additional space will be available to accommodate expansion of our operations.

Item 3. LEGAL PROCEEDINGS

From time to time, we are a party to litigation and subject to claims that arise in the ordinary course of business. We investigate these claims as they arise, and accrue estimates for resolution of legal and other contingencies when losses are probable and estimable. Although the results of litigation and claims cannot be predicted with certainty, we believe there was not at least a reasonable possibility that we had incurred a material loss with respect to such loss contingencies as of January 31, 2017.

Item 4. MINE SAFETY DISCLOSURE

Not applicable.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information for Common Stock

Our Class A common stock began trading on the New York Stock Exchange under the symbol "BOX" on January 23, 2015. Prior to that date, there was no public trading market for shares of our Class A common stock. The following table sets forth the high and low sales price per share of our Class A common stock as reported on the New York Stock Exchange for the period indicated:

<u>Year Ended January 31, 2017</u>	<u>High</u>	<u>Low</u>
Fourth Quarter	\$17.40	\$13.70
Third Quarter	\$16.34	\$11.80
Second Quarter	\$12.91	\$10.02
First Quarter	\$13.37	\$ 9.12
Year Ended January 31, 2016		
Fourth Quarter	\$14.38	\$ 9.40
Third Quarter	\$15.53	\$11.09
Second Quarter	\$19.35	\$16.29
First Quarter	\$20.99	\$16.66

Holder of Record

As of February 28, 2017, there were 248 holders of record of our Class A common stock and 229 holders of record of our Class B common stock. Because many of our shares of Class A common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial owners of our Class A common stock represented by these record holders.

Dividend Policy

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any dividends on our capital stock in the foreseeable future. Any future determination to declare dividends will be made at the discretion of our board of directors, subject to applicable laws, and will depend on our financial condition, operating results, capital requirements, general business conditions and other factors that our board of directors may deem relevant.

Unregistered Sales of Equity Securities

From February 1, 2016 to January 31, 2017, we issued an aggregate of 81,566 shares of our Class A common stock in connection with agreements to license technology and hire employees from certain target companies or as consideration for services rendered from prior service providers.

None of the foregoing transactions involved any underwriters, underwriting discounts or commissions, or any public offering. We believe the offers, sales, and issuances of the above securities were exempt from registration under the Securities Act by virtue of Section 4(a)(2) of the Securities Act because the issuance of securities to the recipients did not involve a public offering. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were placed upon the book-entry security entitlements issued in these transactions. All recipients had adequate access, through their relationships

with us or otherwise, to information about us. The sales of these securities were made without any general solicitation or advertising.

Issuer Purchases of Equity Securities

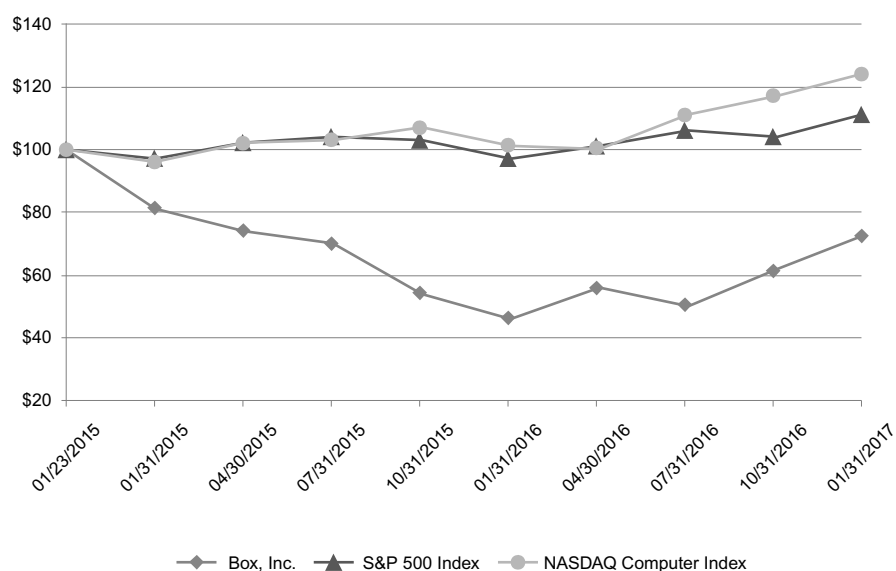
None.

Performance Graph

This performance graph shall not be deemed “soliciting material” or to be “filed” with the SEC for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of Box, Inc. under the Securities Act of 1933, as amended, or the Exchange Act.

The following graph compares the cumulative total return to stockholders on our common stock relative to the cumulative total returns of the Standard & Poor’s 500 Index, or S&P 500, and the NASDAQ Computer Index. An investment of \$100 (with reinvestment of all dividends) is assumed to have been made in our Class A common stock and in each index on January 23, 2015, the date our Class A common stock began trading on the NYSE, and its relative performance is tracked through January 31, 2017. The returns shown are based on historical results and are not intended to suggest future performance.

Comparison of Cumulative Total Return of Box, Inc.



Company/Index	Base Period									
	01/23/2015	01/31/2015	04/30/2015	07/31/2015	10/31/2015	01/31/2016	04/30/2016	07/31/2016	10/31/2016	01/31/2017
Box, Inc.	\$100	\$81	\$ 74	\$ 70	\$ 54	\$ 46	\$ 56	\$ 50	\$ 62	\$ 73
S&P 500 Index	100	97	102	104	103	97	101	106	104	111
NASDAQ Computer Index	100	96	102	103	107	101	100	111	117	124

Item 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following selected historical consolidated financial data should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of our consolidated financial statements and the related notes included in Item 8 of this Annual Report on Form 10-K. The historical results are not necessarily indicative of the results to be expected in any future period

	Year Ended January 31,				
	2017	2016	2015	2014	2013
	(in thousands)				
Consolidated Statements of Operations Data:					
Revenue	\$ 398,605	\$ 302,704	\$ 216,440	\$ 124,192	\$ 58,797
Cost of revenue(1)(2)	112,130	87,100	47,273	25,974	14,280
Gross profit	286,475	215,604	169,167	98,218	44,517
Operating expenses:					
Research and development(2)	115,928	102,500	66,402	45,967	28,996
Sales and marketing(2)	253,020	242,184	207,749	171,188	99,221
General and administrative(1)(2)	68,182	71,923	61,672	39,843	25,429
Total operating expenses	437,130	416,607	335,823	256,998	153,646
Loss from operations	(150,655)	(201,003)	(166,656)	(158,780)	(109,129)
Remeasurement of redeemable convertible preferred stock warrant liability	—	—	126	(8,477)	(1,727)
Interest expense, net	(896)	(1,157)	(2,009)	(3,705)	(1,764)
Other income (expense), net	678	(98)	(257)	(26)	116
Loss before provision (benefit) for income taxes	(150,873)	(202,258)	(168,796)	(170,988)	(112,504)
Provision (benefit) for income taxes	914	690	(569)	(2,431)	59
Net loss	(151,787)	(202,948)	(168,227)	(168,557)	(112,563)
Accretion of redeemable convertible preferred stock	—	—	(11,503)	(341)	(226)
Deemed dividend on the conversion of Series F redeemable convertible preferred stock	—	—	(2,262)	—	—
Net loss attributable to common stockholders	<u>\$(151,787)</u>	<u>\$(202,948)</u>	<u>\$(181,992)</u>	<u>\$(168,898)</u>	<u>\$(112,789)</u>
Net loss per share attributable to common stockholders, basic and diluted	<u>\$ (1.19)</u>	<u>\$ (1.67)</u>	<u>\$ (11.48)</u>	<u>\$ (14.89)</u>	<u>\$ (14.68)</u>
Weighted-average shares used to compute net loss per share attributable to common stockholders, basic and diluted(3)	<u>127,469</u>	<u>121,240</u>	<u>15,854</u>	<u>11,341</u>	<u>7,684</u>

(1) Includes intangible assets amortization as follows:

	Year Ended January 31,				
	2017	2016	2015	2014	2013
	(in thousands)				
Cost of revenue	\$3,197	\$5,443	\$3,455	\$1,813	\$—
General and administrative	155	154	169	174	176
Total intangible assets amortization	<u>\$3,352</u>	<u>\$5,597</u>	<u>\$3,624</u>	<u>\$1,987</u>	<u>\$176</u>

- (2) Includes stock-based compensation expense as follows:

	Year Ended January 31,				
	2017	2016	2015	2014	2013
	(in thousands)				
Cost of revenue	\$ 7,882	\$ 4,664	\$ 1,492	\$ 450	\$1,087
Research and development	30,796	24,696	11,767	3,154	1,211
Sales and marketing	26,142	19,530	11,616	5,017	1,893
General and administrative	13,552	10,614	7,054	3,128	3,345
Total stock-based compensation	<u>\$78,372</u>	<u>\$59,504</u>	<u>\$31,929</u>	<u>\$11,749</u>	<u>\$7,536</u>

- (3) Upon the closing of Box's initial public offering on January 28, 2015, 88.1 million shares of Box's redeemable convertible preferred stock were converted and reclassified to Box's common stock. In addition, 85,354 shares of Box's common stock were issued upon the net exercise of a warrant to purchase shares of Box's redeemable convertible preferred stock.

	January 31,				
	2017	2016	2015	2014	2013
	(in thousands)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	\$177,391	\$185,741	\$330,436	\$ 108,851	\$ 127,625
Working capital	24,160	69,528	240,176	44,289	104,799
Total assets	493,674	497,488	492,666	235,429	195,792
Deferred revenue, current and non-current	241,984	186,413	120,057	90,072	40,099
Debt, current and non-current	40,000	40,000	40,000	34,000	31,028
Redeemable convertible preferred stock					
warrant liability, current and non-current	—	—	—	1,346	2,869
Redeemable convertible preferred stock	—	—	—	393,217	281,899
Total stockholders' equity (deficit)	74,732	137,901	268,129	(335,512)	(183,656)

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with the section titled "Selected Consolidated Financial Data" and the consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed in the section titled "Risk Factors" and in other parts of this Annual Report on Form 10-K.

Overview

Box provides a leading cloud content management platform that enables organizations of all sizes to securely manage cloud content while allowing easy, secure access and sharing of this content from anywhere, on any device. With our Software-as-a-Service (SaaS) cloud-based platform, users can collaborate on content both internally and with external parties, automate content-driven business processes, develop custom applications, and implement data protection, security and compliance features to comply with internal policies and industry regulations. Our platform enables a broad set of business use cases across an enterprise, across multiple file formats and media types, and user experiences. Our platform integrates with leading enterprise business applications, and is compatible with multiple application environments, operating systems and devices, ensuring that workers have access to their critical business content whenever and wherever they need it.

We were founded and publicly launched our platform in 2005 with a simple but powerful idea: to make it incredibly easy for people to securely manage, share and collaborate on their most important content online. In 2006, we introduced a free version of our product in order to rapidly grow our user base, and we surpassed one million registered users by July 2007. As users began to bring our solution into the workplace, we learned that businesses were eager for a solution to empower user-friendly content sharing and collaboration in a secure, manageable way. Starting in 2007, we began enhancing our platform to serve businesses and large enterprises, which meant expanding our business functionality with features such as our administrative console, identity integration, activity reporting and full-text search. To further satisfy the requirements of IT departments in large organizations, we began to invest heavily in enhancing the security of our platform. Also in 2007, we began to build an enterprise sales team. The continual evolution of our platform features allowed our sales team to sell into increasingly larger organizations. To empower users to work securely from anywhere, we built native applications for all major mobile platforms. The introduction of our iPad application in 2010 further accelerated enterprise adoption of our platform. In 2012, we introduced our Box OneCloud platform and our Box Embed framework to encourage developers and independent software vendors (ISVs) to build powerful applications that connect to Box, furthering the reach of the Box service. We continued to innovate by expanding our offerings to include Box KeySafe, a solution that builds on top of Box's strong encryption and security capabilities to give customers greater control over the encryption keys used to secure the file contents that are stored with Box; Box Governance, which gives customers a better way to comply with regulatory policies, satisfy e-discovery requests and effectively manage sensitive business information; Box Zones, which gives global customers the ability to store their data locally in certain regions; and Box Platform, which further enables customers and partners to build enterprise apps using the Box Platform. In recent years, we have expanded our global presence, opening our first international office in London in 2012, followed by Paris and Tokyo in 2013. In 2014, we launched Box for Industries to accelerate business transformation in every major industry and we continued to expand our international presence further. We also opened offices in Amsterdam and Stockholm in 2015.

We offer our solution to our customers as a subscription-based service, with subscription fees based on the requirements of our customers, including the number of users and functionality deployed. The majority of our customers subscribe to our service through one-year contracts, although we also offer our services for terms ranging from one month to three years or more. We typically invoice our customers at the beginning of the term,

in multiyear, annual, quarterly or monthly installments. We recognize subscription revenue ratably over the term of the subscription period.

Our objective is to build an enduring business that creates sustainable revenue and earnings growth over the long term. To best achieve this objective, we focus on growing the number of users and paying organizations through direct field sales, direct inside sales, indirect channel sales and through word-of-mouth by individual users, some of whom use our services at no cost. Individual users and organizations can also simply sign up to use our solution on our website. We believe this approach not only helps us build a critical mass of users but also has a viral effect within organizations as more of their employees use our service and encourage their IT professionals to deploy our services to a broader user base.

We have achieved significant growth in a short period of time. Our user base includes over 52 million registered users. We define a registered user as a Box account that has been provisioned to a unique user ID. As of January 31, 2017, over 16% of our registered users were paying users who register as part of a larger enterprise or business account or by using a personal account. As of January 31, 2017, we had over 71,000 paying organizations, and our solution was offered in 22 languages. We define paying organizations as separate and distinct buying entities, such as a company, an educational or government institution, or a distinct business unit of a large corporation, that have entered into a subscription agreement with us to utilize our services.

Organizations typically purchase our solution in the following ways: (i) employees in one or more small groups within the organization may individually purchase our service; (ii) organizations may purchase IT-sponsored, enterprise-level agreements with deployments for specific, targeted use cases ranging from tens to thousands of user seats; (iii) organizations may purchase IT-sponsored, enterprise-level agreements where the number of user seats sold is intended to accommodate and enable nearly all information workers within the organization in whatever use cases they desire to adopt over the term of the subscription; or (iv) organizations may purchase our Box Platform service to create custom business applications for their internal use and extended ecosystem of customers, suppliers and partners.

We intend to continue scaling our organization to meet the increasingly complex needs of our customers. Our sales and customer success teams are organized to efficiently serve organizations ranging from small businesses to the world's largest global organizations. We have invested, and expect to continue to invest heavily, in our sales and marketing teams to sell our services around the world, as well as in our development efforts to deliver additional features and capabilities of our cloud services to address our customers' evolving needs. We also expect to continue to make significant investments in both our infrastructure to meet the needs of our growing user base and our professional services organization (Box Consulting) to address the strategic needs of our customers in more complex deployments and to drive broader adoption across a wide array of use cases. As a result of our continuing investments to scale our business in each of these areas, we do not expect to be profitable for the foreseeable future.

For the years ended January 31, 2017, 2016 and 2015, our revenue was \$398.6 million, \$302.7 million, and \$216.4 million, respectively, representing year-over-year growth of 32% and 40%, respectively, and our net losses were \$151.8 million, \$202.9 million, and \$168.2 million, respectively. For the years ended January 31, 2017, 2016 and 2015, revenue from non-U.S. customers represented 18%, 18%, and 21% of our revenue, respectively. We expect our revenue from non-U.S. customers to increase at a higher rate than our revenue from U.S. customers over time. Box is headquartered in Redwood City, California and operates offices in California, New York, Texas, Amsterdam, London, Paris, Stockholm and Tokyo.

Our Business Model

Our business model focuses on maximizing the lifetime value of a customer relationship. We make significant investments in acquiring new customers and believe that we will be able to achieve a positive return on these investments by retaining customers and expanding the size of our deployments within our customer base

over time. In connection with the acquisition of new customers, we incur and recognize significant upfront costs. These costs include sales and marketing costs associated with acquiring new customers, such as sales commission expenses, a significant portion of which is expensed upfront and the remaining portion of which is expensed over the length of the non-cancellable subscription term, and marketing costs, which are expensed as incurred. Due to our subscription model, we recognize revenue ratably over the term of the subscription period, which commences when all of the revenue recognition criteria have been met. Although our objective is for each customer to be profitable for us over the duration of our relationship, the costs we incur with respect to any customer relationship, whether a new customer or an expansion within an existing customer, may exceed revenue in earlier periods because we recognize those costs faster than we recognize the associated revenue.

Because of these dynamics, we experience a range of profitability with our customers depending in large part upon what stage of the customer phase they are in. We generally incur higher sales and marketing expenses for new customers and existing customers who are still in an expanding stage. For new customers, our associated sales and marketing expenses typically exceed the first year revenue we recognize from those customers. For customers who are expanding their use of Box, we incur various associated marketing expenses as well as sales commission expenses, though we typically recognize higher revenue than sales and marketing expenses. For typical customers who are renewing their Box subscriptions, our associated sales and marketing expenses are significantly less than the revenue we recognize from those customers. These differences are primarily driven by the higher compensation we provide to our sales force for new customers and customer subscription expansions compared to the compensation we provide to our sales force for routine subscription renewals by customers. In addition, our sales and marketing expenses, other than the compensation we provide to our sales force, are generally higher for acquiring new customers versus expansions or renewals of existing customer subscriptions. We believe that, over time, as our existing customer base grows and a relatively higher percentage of our revenue is attributable to renewals versus new or expanding Box deployments, we will experience lower associated sales and marketing expenses as a percentage of revenue.

Key Business Metrics

We use these key metrics for financial and operational decision-making and as a means to evaluate period-to-period comparisons. We believe that these key metrics provide meaningful supplemental information regarding our performance. We believe that both management and investors benefit from referring to these key metrics in assessing our performance and when planning, forecasting, and analyzing future periods. These key metrics also facilitate management's internal comparisons to our historical performance as well as comparisons to our competitors' operating results. We believe these key metrics are useful to investors both because (1) they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making and (2) they are used by our institutional investors and the analyst community to help them analyze the health of our business.

	Year Ended January 31,		
	2017	2016	2015
Billings (in thousands)	\$454,176	\$ 369,060	\$ 246,425
Billings growth rate	23%	50%	41%
Free cash flow (in thousands)	\$(24,849)	\$(116,296)	\$(123,650)
Retention rate (period end)	115%	117%	126%

Billings

Billings represent our revenue plus the change in deferred revenue in the period. Billings we record in any particular period primarily reflect sales to new customers plus subscription renewals and expansion within existing customers, and represent amounts invoiced for all of our products and professional services. We typically invoice our customers at the beginning of the term, in multiyear, annual, quarterly or monthly

installments. If the customer elects to pay the full subscription amount at the beginning of the period, the total subscription amount for the entire term will be reflected in billings. If the customer elects to be invoiced annually or more frequently, only the amount billed for such period will be included in billings.

Billings help investors better understand our sales activity for a particular period, which is not necessarily reflected in our revenue given that we recognize subscription revenue ratably over the subscription term. We consider billings a significant performance measure and after adjusting for any shifts in relative payment frequencies, a leading indicator of future revenue. We monitor billings to manage our business, make planning decisions, evaluate our performance and allocate resources. We believe that billings offer valuable supplemental information regarding the performance of our business and will help investors better understand the sales volumes and performance of our business. Although we consider billings to be a significant performance measure, we do not consider it to be a non-GAAP financial measure given that it is calculated using exclusively revenue and deferred revenue, both of which are financial measures calculated in accordance with GAAP.

Billings increased 23% in the year ended January 31, 2017 over the year ended January 31, 2016. The increase in billings was primarily driven by the addition of new customers with larger initial deployments, expansion of the number of users within existing customers, and an enhanced developer access fee from one of our resellers. Our year-over-year billings growth rate was adversely impacted by increased focus on annual payment frequency. To provide investors with additional information regarding our financial results, we have disclosed in the table above and within this report billings, a key financial metric.

Our use of billings has the following limitations as an analytical tool and should not be considered in isolation or as a substitute for revenue or an analysis of our results as reported under GAAP. Billings are recognized when invoiced, while the related revenue is recognized ratably over the term of the subscription or premier support services. When we invoice customers more frequently than their subscription period, amounts not yet invoiced will not be reflected in deferred revenue or billings. Also, other companies, including companies in our industry, may not use billings, may calculate billings differently, may have different billing frequencies, or may use other financial measures to evaluate their performance, all of which could reduce the usefulness of billings as a comparative measure.

A calculation of billings starting with revenue, the most directly comparable GAAP financial measure, is presented below:

	Year Ended January 31,		
	2017	2016	2015
		<i>(in thousands)</i>	
GAAP revenue	\$ 398,605	\$ 302,704	\$216,440
Deferred revenue, end of period	241,984	186,413	120,057
Less: deferred revenue, beginning of period	<u>(186,413)</u>	<u>(120,057)</u>	<u>(90,072)</u>
Billings	<u>\$ 454,176</u>	<u>\$ 369,060</u>	<u>\$246,425</u>

Free Cash Flow

We define free cash flow as cash used in operating activities less purchases of property and equipment, principal payments of capital lease obligations, and other items that did not or are not expected to require cash settlement and which management considers to be outside of our core business. We specifically identify other adjusting items in our reconciliation of GAAP to non-GAAP financial measures. Historically, these items have included restricted cash used to guarantee a significant letter of credit for our Redwood City headquarters. We consider free cash flow to be a profitability and liquidity measure that provides useful information to management and investors about the amount of cash generated by the business that can possibly be used for investing in our business and strengthening the balance sheet; but it is not intended to represent the residual cash

flow available for discretionary expenditures. A reconciliation of free cash flow to cash used in operating activities, its nearest GAAP equivalent, is presented in the non-GAAP Financial Measures section of this report. The presentation of free cash flow is also not meant to be considered in isolation or as an alternative to cash flows from operating activities as a measure of liquidity.

Free cash flow increased \$91.4 million in the year ended January 31, 2017 as compared to the year ended January 31, 2016. The increase in free cash flow was primarily driven by a decrease in cash used in operations of \$65.1 million and a decrease in capital expenditures of \$58.0 million, partially offset by an increase in capital lease obligation payments of \$6.6 million. Free cash flow for the fiscal year ended January 31, 2016 included a \$25.0 million adjustment for the restricted cash used to guarantee a letter of credit for our Redwood City headquarters. The primary factors affecting the decrease in cash flow from operations included the improvement of net loss by \$51.2 million and non-cash charges of \$20.1 million, partially offset by changes in our operating assets and liabilities of \$6.2 million. The decrease in capital expenditures was primarily due to the completion of our Redwood City headquarters and reduced expenditures for data center assets as we acquired more data center assets through capital leases in the fiscal year ended January 31, 2017. Our tighter working capital management and the completion of our Redwood City headquarters have been the primary drivers behind significant improvements in free cash flow.

Retention Rate

We calculate our retention rate as of a period end by starting with the annual contract value (ACV) from customers with contract value of \$5,000 or more as of 12 months prior to such period end (Prior Period ACV) and a subscription term of at least 12 months. We then calculate ACV from these same customers as of the current period end (Current Period ACV). Finally, we divide the aggregate Current Period ACV for the trailing 12 month period by the aggregate Prior Period ACV for the trailing 12 month period to arrive at our retention rate. We believe our retention rate is an important metric that provides insight into the long-term value of our subscription agreements and our ability to retain and grow revenue from our customer base. We focus on contracts that have a value of \$5,000 or more because, over time, these customers give us the best indicator for the growth of our business and the potential for incremental business as they renew and expand their deployments, and contracts with these customers represented a substantial majority of our revenue for the fiscal year ended January 31, 2017. Retention rate is an operational metric and there is no comparable GAAP financial measure to which we can reconcile this particular key metric.

Our retention rate was approximately 115%, 117% and 126% as of January 31, 2017, 2016 and 2015, respectively. The calculation of our retention rate reflects both net user expansion and the loss of customers who do not renew their subscriptions with us, which was below 5% for enterprise customers of the Prior Period ACV for the year ended January 31, 2017, a decrease from the year ended January 31, 2016. Our retention rates consistently exceeded 100% and were primarily attributable to an increase in user expansion, from both enterprise and small and medium business customers. We believe our investments in product, Customer Success, and Box Consulting are driving our strong customer retention results. As we penetrate customer accounts, we expect our rate of growth in expansion to trend down over time but our retention rate to remain above 100% for the foreseeable future.

Components of Results of Operations

Revenue

We derive our revenue primarily from three sources: (1) subscription revenue, which is comprised of subscription fees from customers utilizing our cloud content management platform and other subscription-based services, which all include routine customer support; (2) revenue from customers purchasing our premier support package; and (3) revenue from professional services such as implementing best practice use cases, project management and implementation consulting services.

To date, practically all of our revenue has been derived from subscription and premier support services. Subscription and premier support revenue is driven primarily by the number of customers, the number of seats sold to each customer and the price of our services.

Subscription and premier support revenue is recognized ratably over the contract term beginning on the later of the date the service is provisioned to the customer and the date all other revenue recognition criteria have been met. Our subscription and support contracts are typically non-cancellable and do not contain refund-type provisions. The majority of our customers subscribe to our service through one-year contracts, although we also offer our services for terms ranging between one month to three years or more. We typically invoice our customers at the beginning of the term, in multiyear, annual, quarterly or monthly installments. Amounts that have been invoiced are initially recorded as deferred revenue and are recognized ratably over the invoice period. Amounts that have not been invoiced are not reflected in deferred revenue.

Professional services revenue is recognized as the services are rendered for time and material contracts, and using the proportional performance method over the period the services are performed for fixed price contracts. Professional services revenue was not material for all periods presented.

Revenue is presented net of sales and other taxes we collect on behalf of governmental authorities.

Cost of Revenue

Our cost of revenue consists primarily of costs related to providing our cloud-based services to our paying customers, including employee compensation and related expenses for datacenter operations, customer support and professional services personnel, payments to outside infrastructure service providers, depreciation of servers and related equipment, security services and other tools, as well as amortization of acquired technology. We allocate overhead such as rent, information technology costs and employee benefit costs to all departments based on headcount. As such, general overhead expenses are reflected in cost of revenue and each of the operating expense categories set forth below. We expect our cost of revenue to increase in dollars and may increase as a percentage of revenue as we continue to invest in our datacenter operations and customer support to support the growth of our business, our customer base, as well as our international expansion.

Operating Expenses

Our operating expenses consist of research and development, sales and marketing, and general and administrative expenses. Personnel costs are the most significant component of each category of operating expenses. Operating expenses also include allocated overhead costs for facilities, information technology costs and employee benefit costs.

Research and Development. Research and development expense consists primarily of employee compensation and related expenses, as well as allocated overhead. Our research and development efforts are focused on scaling our platform, adding enterprise grade features, functionality and security, and enhancing the ease of use of our cloud-based services. We expect our research and development expense to increase in dollars but decrease as a percentage of revenue over time, as we continue to invest in our future products and services.

Sales and Marketing. Sales and marketing expense consists primarily of employee compensation and related expenses, sales commissions, marketing programs, travel-related expenses, as well as allocated overhead. Marketing programs include but are not limited to advertising, events, corporate communications, brand building, and product marketing. Sales and marketing expense also consists of datacenter and customer support costs related to providing our cloud-based services to our free users. We market and sell our cloud-based services worldwide through our direct sales organization and through indirect distribution channels such as strategic resellers. We expect our sales and marketing expense to continue to increase in dollars but decrease as a percentage of revenue over time as we increase the size of our sales and marketing organization and expand our international presence.

General and Administrative. General and administrative expense consists primarily of employee compensation and related expenses for administrative functions including finance, legal, human resources, recruiting, information systems and fees for external professional services and cloud content enterprise systems as well as allocated overhead. External professional services fees are primarily comprised of outside legal, litigation, accounting, temporary services, audit and outsourcing services. We expect our general and administrative expense to increase in dollars but to decrease as a percentage of revenue over time as we incur additional costs related to operating as a publicly-traded company including systems, audit, legal, regulatory and other related fees.

Remeasurement of Redeemable Convertible Preferred Stock Warrant Liability

The remeasurement of redeemable convertible preferred stock warrant liability includes charges from the change in fair value of our redeemable convertible preferred stock warrant liability as of each period end. These redeemable convertible preferred stock warrants remained outstanding until the exercise of the warrants or the completion of our initial public offering, at which time the warrant liability was remeasured to fair value and reclassified to additional paid-in capital. As of January 31, 2017 and 2016, there were no longer any redeemable convertible preferred stock warrants outstanding.

Interest Expense, Net

Interest expense, net consists of interest expense and interest income. Interest expense consists of interest charges for our line of credit, fees on our letter of credit, and the amortization of capitalized debt issuance costs. Interest income consists of interest earned on our cash, cash equivalents, marketable securities, and restricted cash. We have historically invested our cash in overnight deposits and short term, investment-grade corporate debt, and asset backed securities. As of January 31, 2017, we had no marketable securities in our investment portfolio.

Other Income (Expense), Net

Other income (expense), net consists primarily of gains and losses from foreign currency transactions and other income (expense).

Provision (Benefit) for Income Taxes

Provision (benefit) for income taxes consists primarily of income taxes in certain foreign jurisdictions in which we conduct business and state income taxes in the United States and, for the year ended January 31, 2015, was offset by the tax benefit recognized from the release of our valuation allowance in connection with certain acquisitions. As of January 31, 2017, we had federal and state net operating loss carryforwards (NOLs) of \$518.0 million and \$498.6 million, which expire at various dates beginning in 2025 and 2028, respectively. We also had foreign net operating loss carryforwards of approximately \$164.8 million, which do not expire. Federal and state tax laws impose limitations on the utilization of NOLs in the event of an “ownership change” for tax purposes, as defined in Section 382 of the Internal Revenue Code. In the past, we have experienced an ownership change which has impacted our ability to fully realize the benefit of these NOLs. If we experience additional ownership changes, our ability to utilize our NOLs may be further limited.

Results of Operations

The following tables set forth our results of operations for the periods presented in dollars and as a percentage of our revenue:

	Year Ended January 31,		
	2017	2016	2015
	(in thousands)		
Consolidated Statements of Operations Data:			
Revenue	\$ 398,605	\$ 302,704	\$ 216,440
Cost of revenue(1)(2)	112,130	87,100	47,273
Gross profit	286,475	215,604	169,167
Operating expenses:			
Research and development(2)	115,928	102,500	66,402
Sales and marketing(2)	253,020	242,184	207,749
General and administrative(1)(2)	68,182	71,923	61,672
Total operating expenses	437,130	416,607	335,823
Loss from operations	(150,655)	(201,003)	(166,656)
Remeasurement of redeemable convertible preferred stock warrant liability	—	—	126
Interest expense, net	(896)	(1,157)	(2,009)
Other income (expense), net	678	(98)	(257)
Loss before provision (benefit) for income taxes	(150,873)	(202,258)	(168,796)
Provision (benefit) for income taxes	914	690	(569)
Net loss	<u><u>\$(151,787)</u></u>	<u><u>\$(202,948)</u></u>	<u><u>\$(168,227)</u></u>

(1) Includes intangible assets amortization as follows:

	Year Ended January 31,		
	2017	2016	2015
	(in thousands)		
Cost of revenue	\$3,197	\$5,443	\$3,455
General and administrative	155	154	169
Total intangible assets amortization	<u><u>\$3,352</u></u>	<u><u>\$5,597</u></u>	<u><u>\$3,624</u></u>

(2) Includes stock-based compensation expense as follows:

	Year Ended January 31,		
	2017	2016	2015
	(in thousands)		
Cost of revenue	\$ 7,882	\$ 4,664	\$ 1,492
Research and development	30,796	24,696	11,767
Sales and marketing	26,142	19,530	11,616
General and administrative	13,552	10,614	7,054
Total stock-based compensation	<u><u>\$78,372</u></u>	<u><u>\$59,504</u></u>	<u><u>\$31,929</u></u>

	<u>Year Ended January 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Percentage of Revenue:			
Revenue	100%	100%	100%
Cost of revenue(1)(2)	<u>28</u>	<u>29</u>	<u>22</u>
Gross profit	72	71	78
Operating expenses:			
Research and development(2)	29	34	31
Sales and marketing(2)	64	80	96
General and administrative(1)(2)	<u>17</u>	<u>24</u>	<u>28</u>
Total operating expenses	<u>110</u>	<u>138</u>	<u>155</u>
Loss from operations	(38)	(67)	(77)
Remeasurement of redeemable convertible preferred stock warrant liability	—	—	—
Interest expense, net	—	—	(1)
Other income (expense), net	<u>—</u>	<u>—</u>	<u>—</u>
Loss before provision (benefit) for income taxes	(38)	(67)	(78)
Provision (benefit) for income taxes	<u>—</u>	<u>—</u>	<u>—</u>
Net loss	<u>(38)%</u>	<u>(67)%</u>	<u>(78)%</u>

(1) Includes intangible assets amortization as follows:

	<u>Year Ended January 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cost of revenue	1%	2%	2%
General and administrative	<u>—</u>	<u>—</u>	<u>—</u>
Total intangible assets amortization	<u>1%</u>	<u>2%</u>	<u>2%</u>

(2) Includes stock-based compensation expense as follows:

	<u>Year Ended January 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cost of revenue	2%	2%	1%
Research and development	8	8	5
Sales and marketing	7	6	5
General and administrative	<u>3</u>	<u>4</u>	<u>3</u>
Total stock-based compensation	<u>20%</u>	<u>20%</u>	<u>14%</u>

Comparison of the Years Ended January 31, 2017 and 2016

Revenue

	<u>Year Ended January 31,</u>			
	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>	<u>% Change</u>
	(dollars in thousands)			
Revenue	\$398,605	\$302,704	\$95,901	32%

Revenue was \$398.6 million for the year ended January 31, 2017, compared to \$302.7 million for the year ended January 31, 2016, representing an increase of \$95.9 million, or 32%. The increase in revenue was substantially driven by an increase in subscription services. The increase in subscription services was due to the addition of new customers, as the number of paying organizations increased by 25% from January 31, 2016 to January 31, 2017. Also in this period, we experienced increased renewals from and expansion within existing customers as they broadened their deployment of our product offerings, as reflected in our retention rate of 115% as of January 31, 2017.

Cost of Revenue

	Year Ended January 31,			
	2017	2016	\$ Change	% Change
	(dollars in thousands)			
Cost of revenue	\$112,130	\$87,100	\$25,030	29%
Percentage of revenue	28%	29%		

Cost of revenue was \$112.1 million, or 28% of revenue, for the year ended January 31, 2017, compared to \$87.1 million, or 29% of revenue, for the year ended January 31, 2016, representing an increase of \$25.0 million, or 29%. The increase in absolute dollars was primarily due to an increase of \$4.7 million in stock-based compensation expense primarily driven by the increase in employee equity grants and an increase of \$2.7 million in employee and related costs primarily driven by the increase in headcount in our datacenter operations, customer support, and in our consulting functions. In addition, there was an increase of \$7.5 million in datacenter service costs and \$2.5 million in rent primarily related to the expansion of new data centers. There was an increase of \$2.1 million in enterprise subscription software expense, an increase of \$1.7 million in allocated costs for IT software and support, an increase of \$1.8 million in outside agency costs, and an increase in investments to support our growing base of paid users. Despite an increase in absolute dollars, cost of revenue as a percentage of revenue decreased 1 percentage point year-over-year as we continued to optimize our infrastructure. While we continued to invest in our infrastructure, we were able to do so at a lower percentage of revenue year over year as our revenue growth outpaced our cost of revenue spending.

Research and Development

	Year Ended January 31,			
	2017	2016	\$ Change	% Change
	(dollars in thousands)			
Research and development	\$115,928	\$102,500	\$13,428	13%
Percentage of revenue	29%	34%		

Research and development expenses were \$115.9 million, or 29% of revenue, for the year ended January 31, 2017, compared to \$102.5 million, or 34% of revenue, for the year ended January 31, 2016, representing an increase of \$13.4 million, or 13%. The increase in absolute dollars was primarily due to an increase of \$6.1 million in stock-based compensation expense primarily due to an increase in employee equity grants, an increase of \$3.3 million in data center costs used for research and development activities, an increase of \$2.0 million in allocated costs for IT software and support services, and an increase of \$2.0 million in outside agency costs. Despite an increase in absolute dollars, research and development expense as a percentage of revenue decreased 5 percentage points year over year. While we continued to invest in our product and service offerings and develop new products and further differentiate our offerings, we were able to do so at a lower percentage of revenue year over year as our revenue growth outpaced our research and development spending. We expect to continue investing in new features and functionalities in fiscal 2018.

Sales and Marketing

	<u>Year Ended January 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2017</u>	<u>2016</u>		
	(dollars in thousands)			
Sales and marketing	\$253,020	\$242,184	\$10,836	4%
Percentage of revenue	64%	80%		

Sales and marketing expenses were \$253.0 million, or 64% of revenue, for the year ended January 31, 2017, compared to \$242.2 million, or 80% of revenue, for the year ended January 31, 2016, representing an increase of \$10.8 million, or 4%. The increase in absolute dollars was primarily due to an increase of \$10.4 million in employee and related costs and an increase of \$6.6 million in stock-based compensation expense primarily driven by the increase in headcount from 618 employees as of January 31, 2016 to 714 employees as of January 31, 2017 and an increase in employee equity grants, and an increase of \$3.8 million in allocated costs for IT software and support services. The increase was partially offset by a \$10.7 million decrease in datacenter and customer support costs to support our free users and a \$0.8 million decrease in marketing events. Sales and marketing expenses as a percentage of revenue decreased 16 points year over year due to improved marketing efficiency, as our sales and marketing expenses are generally higher for acquiring new customers versus expansions or renewals of existing customer subscriptions, and a decrease in cost to support our free users. Over time, as our existing customer base grows and a relatively higher percentage of our revenue is attributable to renewals versus new or expanding Box deployments, we expect that sales and marketing expenses will decrease as a percentage of revenue. We expect to continue to invest to capture our large market opportunity and capitalize on our competitive position, while growing our productivity and efficiency to achieve our long-term margin objectives.

General and Administrative

	<u>Year Ended January 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2017</u>	<u>2016</u>		
	(dollars in thousands)			
General and administrative	\$68,182	\$71,923	\$(3,741)	(5)%
Percentage of revenue	17%	24%		

General and administrative expenses were \$68.2 million, or 17% of revenue, for the year ended January 31, 2017, compared to \$71.9 million, or 24% of revenue, for the year ended January 31, 2016, representing a decrease of \$3.7 million, or 5%. The decrease in absolute dollars was primarily due to a decrease of \$5.7 million in litigation and legal settlement costs primarily attributable to the settlement agreement reached with Open Text in the three months ended April 30, 2016, a decrease of \$2.3 million in rent expense primarily related to temporarily concurrent expenses between our Redwood City headquarters and our former Los Altos headquarters in fiscal year 2016 and the timing of related sublease income, and various operational improvements. The decrease in absolute dollars was partially offset by an increase in employee and related costs of \$4.3 million primarily driven by the increase in headcount for IT and legal functions and an increase in stock-based compensation expense of \$2.9 million primarily as a result of an increase in employee equity grants.

Interest Expense, Net and Other Income (Expense), Net

	<u>Year Ended January 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2017</u>	<u>2016</u>		
	(dollars in thousands)			
Interest expense, net	\$(896)	\$(1,157)	\$261	(23)%
Other income (expense), net	678	(98)	776	*

* Not meaningful

Interest expense, net, decreased by \$0.3 million, or 23%, during the year ended January 31, 2017 compared to the year ended January 31, 2016. The decrease was primarily due to lower interest expense incurred on our credit facilities for the year ended January 31, 2017.

Other income (expense), net, consisted primarily of foreign currency gains (losses).

Provision for Income Taxes

	<u>Year Ended January 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2017</u>	<u>2016</u>		
	<u>(dollars in thousands)</u>			
Provision for income taxes	\$914	\$690	\$224	*

* Not meaningful

The change in provision for income taxes during the year ended January 31, 2017 compared to the year ended January 31, 2016 was primarily due to an increase in foreign tax expense and an increase in deferred tax expense associated with our current year acquisition.

Comparison of the Years Ended January 31, 2016 and 2015

Revenue

	<u>Year Ended January 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2016</u>	<u>2015</u>		
	<u>(dollars in thousands)</u>			
Revenue	\$302,704	\$216,440	\$86,264	40%

Revenue was \$302.7 million for the year ended January 31, 2016, compared to \$216.4 million for the year ended January 31, 2015, representing an increase of \$86.2 million, or 40%. The increase in revenue was substantially driven by an increase in subscription services. The increase in subscription services was due to the addition of new customers, as the number of paying organizations increased by 25% from January 31, 2015 to January 31, 2016. Also in this period, we experienced increased renewals from and expansion within existing customers as they broadened their deployment of our product offerings, as reflected in our retention rate of 117% as of January 31, 2016.

Cost of Revenue

	<u>Year Ended January 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2016</u>	<u>2015</u>		
	<u>(dollars in thousands)</u>			
Cost of revenue	\$87,100	\$47,273	\$39,827	84%
Percentage of revenue	29%	22%		

Cost of revenue was \$87.1 million, or 29% of revenue, for the year ended January 31, 2016, compared to \$47.3 million, or 22% of revenue, for the year ended January 31, 2015, representing an increase of \$39.8 million, or 84%. The increase in absolute dollars was primarily due to an increase of \$9.9 million in employee and related costs and an increase of \$3.2 million in stock-based compensation expense resulting from headcount growth in our datacenter operations, customer support, and particularly in our Box Consulting function as a result of our focused efforts to grow our Box Consulting capacity. Headcount in these functions grew from 168 employees as of January 31, 2015 to 229 employees as of January 31, 2016. In addition, there was an increase of \$10.1 million in datacenter service costs and an increase of \$7.4 million in depreciation of our server equipment as we

increased our capacity, an increase of \$6.3 million in allocated overhead costs which was primarily driven by the increased headcount as well as the expenses related to our new Redwood City headquarters in addition to the temporarily concurrent expenses related to our former Los Altos headquarters, an increase of \$1.3 million in enterprise subscription software expenses, and an increase of \$1.1 million in contractors and temporary services expenses. Cost of revenue as a percentage of revenue increased 7 points year-over-year primarily due to our continued investments in our infrastructure and Box Consulting to support our expected growth in paying customers and new products, as well as the expenses related to our new Redwood City headquarters in addition to the temporarily concurrent expenses related to our former Los Altos headquarters.

Research and Development

	Year Ended January 31,			
	2016	2015	\$ Change	% Change
	(dollars in thousands)			
Research and development	\$102,500	\$66,402	\$36,098	54%
Percentage of revenue	34%	31%		

Research and development expenses were \$102.5 million, or 34% of revenue, for the year ended January 31, 2016, compared to \$66.4 million, or 31% of revenue, for the year ended January 31, 2015, representing an increase of \$36.1 million, or 54%. The increase in absolute dollars was primarily due to an increase of \$12.9 million in stock-based compensation expense and an increase of \$11.8 million in employee and related costs as we increased our headcount from 253 employees as of January 31, 2015 to 299 employees as of January 31, 2016 to support continued investment in our product and service offerings and scalability, and an increase of \$8.9 million in allocated overhead costs which was primarily driven by the increased headcount as well as the expenses related to our new Redwood City headquarters in addition to the temporarily concurrent expenses related to our former Los Altos headquarters. Research and development expenses as a percentage of revenue increased 3 points year-over-year as we continue to invest in research and development efforts.

Sales and Marketing

	Year Ended January 31,			
	2016	2015	\$ Change	% Change
	(dollars in thousands)			
Sales and marketing	\$242,184	\$207,749	\$34,435	17%
Percentage of revenue	80%	96%		

Sales and marketing expenses were \$242.2 million, or 80% of revenue, for the year ended January 31, 2016, compared to \$207.7 million, or 96% of revenue, for the year ended January 31, 2015, representing an increase of \$34.4 million, or 17%. The increase in absolute dollars was primarily due to an increase of \$9.0 million in employee and related costs and an increase of \$7.9 million in stock-based compensation expense, as we increased our headcount from 570 employees as of January 31, 2015 to 618 employees as of January 31, 2016, an increase of \$8.2 million in sales commissions driven by increased sales, an increase of \$6.4 million in allocated overhead costs which was primarily driven by the expenses related to our new Redwood City headquarters in addition to the temporarily concurrent expenses related to our former Los Altos headquarters, an increase of \$2.4 million in travel-related expenses, and an increase of \$1.4 million in datacenter and other infrastructure costs related to providing Box services to free users. Sales and marketing expenses as a percentage of revenue decreased 16 points year over year due to improved marketing efficiency, as our sales and marketing expenses are generally higher for acquiring new customers as compared to expansions or renewals of existing customer subscriptions, and a decrease in relative cost to support our free users.

General and Administrative

	<u>Year Ended January 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2016</u>	<u>2015</u>		
General and administrative	\$71,923	\$61,672	\$10,251	17%
Percentage of revenue	24%	28%		

General and administrative expenses were \$71.9 million, or 24% of revenue, for the year ended January 31, 2016, compared to \$61.7 million, or 28% of revenue, for the year ended January 31, 2015, representing an increase of \$10.3 million, or 17%. The increase in absolute dollars was primarily due to an increase of \$8.8 million in employee and related costs and an increase of \$3.6 million in stock-based compensation expense, as we increased our headcount from 167 employees as of January 31, 2015 to 224 employees as of January 31, 2016, and an increase of \$5.3 million in allocated overhead costs which was primarily driven by the increased headcount as well as the expenses related to our new Redwood City headquarters in addition to the temporarily concurrent expenses related to our former Los Altos headquarters, offset by a decrease of \$8.3 million in litigation related expenses.

Remeasurement of Redeemable Convertible Preferred Stock Warrant Liability

	<u>Year Ended January 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2016</u>	<u>2015</u>		
Remeasurement of redeemable convertible preferred stock warrant liability	\$—	\$126	\$(126)	*

* Not meaningful

There was no remeasurement of redeemable convertible preferred stock warrant liability during the year ended January 31, 2016 as there were no longer any redeemable convertible preferred stock warrants outstanding as of January 31, 2015.

Interest Expense, Net and Other Expense, Net

	<u>Year Ended January 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2016</u>	<u>2015</u>		
Interest expense, net	\$(1,157)	\$(2,009)	\$852	(42)%
Other expense, net	(98)	(257)	159	*

* Not meaningful

Interest expense, net, decreased by \$0.9 million, or 42%, during the year ended January 31, 2016 compared to the year ended January 31, 2015. The decrease was primarily due to lower interest expense incurred on our credit facilities for the year ended January 31, 2016.

Other income (expense), net, consisted primarily of foreign currency gains (losses).

Provision (Benefit) for Income Taxes

	<u>Year Ended January 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2016</u>	<u>2015</u>		
Provision (benefit) for income taxes	\$690	\$(569)	\$1,259	*

* Not meaningful

The change in provision (benefit) for income taxes during the year ended January 31, 2016 compared to the year ended January 31, 2015 was primarily due to the discrete tax benefits recognized from the release of our valuation allowance in connection with acquisitions during the year ended January 31, 2015. No such release occurred during the year ended January 31, 2016.

Quarterly Results of Operations

The following tables set forth selected unaudited quarterly consolidated statements of operations data for each of the eight quarters in the period ended January 31, 2017. The information for each of these quarters has been prepared on the same basis as the audited annual consolidated financial statements included elsewhere in this report and, in the opinion of management, includes all adjustments, which include only normal recurring adjustments, necessary for the fair presentation of the results of operations for these periods in accordance with generally accepted accounting principles in the United States. This data should be read in conjunction with our audited consolidated financial statements and related notes included elsewhere in this report. These quarterly operating results are not necessarily indicative of our operating results for a full year or any future period.

	Three Months Ended							
	Jan. 31, 2017	Oct. 31, 2016	Jul. 31, 2016	Apr. 30, 2016	Jan. 31, 2016	Oct. 31, 2015	Jul. 31, 2015	Apr. 30, 2015
Consolidated Statements of Operations Data:								
Revenue	\$109,926	\$102,811	\$ 95,713	\$ 90,155	\$ 84,982	\$ 78,651	\$ 73,450	\$ 65,621
Cost of revenue(1)(2)	29,554	27,115	27,602	27,859	25,681	23,630	20,636	17,153
Gross profit	80,372	75,696	68,111	62,296	59,301	55,021	52,814	48,468
Operating expenses:								
Research and development(2)	31,104	29,652	28,265	26,907	26,589	26,324	26,453	23,134
Sales and marketing(2)	66,566	66,796	60,186	59,472	63,257	63,972	58,460	56,495
General and administrative(1)(2)	19,095	16,999	17,579	14,509	19,019	19,757	17,675	15,472
Total operating expenses	116,765	113,447	106,030	100,888	108,865	110,053	102,588	95,101
Loss from operations	(36,393)	(37,751)	(37,919)	(38,592)	(49,564)	(55,032)	(49,774)	(46,633)
Interest expense, net	(309)	(222)	(189)	(176)	(384)	(30)	(229)	(514)
Other income (expense), net	69	(22)	190	441	(155)	165	(31)	(77)
Loss before provision for income taxes	(36,633)	(37,995)	(37,918)	(38,327)	(50,103)	(54,897)	(50,034)	(47,224)
Provision for income taxes	244	238	184	248	270	220	141	59
Net loss	<u>\$ (36,877)</u>	<u>\$ (38,233)</u>	<u>\$ (38,102)</u>	<u>\$ (38,575)</u>	<u>\$ (50,373)</u>	<u>\$ (55,117)</u>	<u>\$ (50,175)</u>	<u>\$ (47,283)</u>
Net loss per share attributable to common stockholders, basic and diluted	<u>\$ (0.28)</u>	<u>\$ (0.30)</u>	<u>\$ (0.30)</u>	<u>\$ (0.31)</u>	<u>\$ (0.41)</u>	<u>\$ (0.45)</u>	<u>\$ (0.42)</u>	<u>\$ (0.40)</u>
Weighted-average shares used to compute net loss per share attributable to common stockholders, basic and diluted ..	<u>129,757</u>	<u>128,275</u>	<u>126,776</u>	<u>124,932</u>	<u>123,321</u>	<u>121,796</u>	<u>120,399</u>	<u>119,379</u>

(1) Includes intangible assets amortization as follows:

	Three Months Ended							
	Jan. 31, 2017	Oct. 31, 2016	Jul. 31, 2016	Apr. 30, 2016	Jan. 31, 2016	Oct. 31, 2015	Jul. 31, 2015	Apr. 30, 2015
	(in thousands)							
Cost of revenue	\$393	\$506	\$878	\$1,420	\$1,433	\$1,431	\$1,472	\$1,107
General and administrative	39	39	38	39	37	39	39	39
Total intangible assets amortization	<u>\$432</u>	<u>\$545</u>	<u>\$916</u>	<u>\$1,459</u>	<u>\$1,470</u>	<u>\$1,470</u>	<u>\$1,511</u>	<u>\$1,146</u>

(2) Includes stock-based compensation expense as follows:

	Three Months Ended							
	Jan. 31, 2017	Oct. 31, 2016	Jul. 31, 2016	Apr. 30, 2016	Jan. 31, 2016	Oct. 31, 2015	Jul. 31, 2015	Apr. 30, 2015
	(in thousands)							
Cost of revenue	\$ 2,554	\$ 1,986	\$ 1,830	\$ 1,512	\$ 1,500	\$ 1,272	\$ 1,041	\$ 851
Research and development	9,194	7,730	7,348	6,524	6,675	6,455	6,303	5,263
Sales and marketing	7,752	6,744	6,416	5,230	5,500	5,005	4,742	4,283
General and administrative	3,802	3,457	3,470	2,823	2,982	2,672	2,642	2,318
Total stock-based compensation	<u>\$23,302</u>	<u>\$19,917</u>	<u>\$19,064</u>	<u>\$16,089</u>	<u>\$16,657</u>	<u>\$15,404</u>	<u>\$14,728</u>	<u>\$12,715</u>

Quarterly Revenue Trends

Our quarterly revenue increased sequentially for all periods presented due primarily to increases in the number of new customers as well as increased renewals from and expansion within existing customers as they broadened their deployment of our services. Our fourth quarter has historically been our strongest quarter for contracting activity as a result of buying patterns of large enterprises.

Quarterly Costs and Expenses Trends

Total costs and expenses generally increased sequentially for all periods presented, primarily due to the addition of personnel in connection with the expansion of our business. Sales and marketing expenses generally grew sequentially over the periods with higher increases in the second half of the fiscal year as our commissions and marketing costs accelerate with the increase in our customer ordering activity in the second half of our fiscal years. General and administrative costs generally decreased in recent quarters due to a decrease in litigation and legal settlement costs primarily attributable to the settlement agreement reached with Open Text in the three months ended April 30, 2016, partially offset by an increase in headcount.

Our quarterly operating results may fluctuate due to various factors affecting our performance. As noted above, we recognize revenue from subscription fees ratably over the term of the contract. Therefore, changes in our contracting activity in the near term may not be apparent as a change to our reported revenue until future periods. Most of our expenses are recorded as period costs, and thus, factors affecting our cost structure may be reflected in our financial results sooner than changes to our revenue. In addition, we generally incur higher sales and marketing expenses in our third fiscal quarter due to our annual users' conference.

Liquidity and Capital Resources

	Year Ended January 31,		
	2017	2016	2015
	(in thousands)		
Net cash used in operating activities	\$(1,218)	\$(66,321)	\$(84,900)
Net cash used in investing activities	(7,572)	(80,861)	(38,883)
Net cash provided by financing activities	479	2,513	345,439

As of January 31, 2017, we had cash and cash equivalents of \$177.4 million. Our cash and cash equivalents are comprised primarily of overnight cash deposits. We have generated significant operating losses and negative cash flows from operations as reflected in our accumulated deficit and consolidated statements of cash flows. We

may continue to incur operating losses and negative cash flows from operations in the future and may require additional capital resources to execute strategic initiatives to grow our business.

Since our inception, we have financed our operations primarily through equity, cash generated from sales and, to a lesser extent, debt financing. We believe our existing cash and cash equivalents, together with our credit facilities, will be sufficient to meet our working capital and capital expenditure needs for at least the next 12 months. Our future capital requirements will depend on many factors including our growth rate, subscription renewal activity, billing frequency, the timing and extent of spending to support development efforts, the expansion of sales and marketing and international operation activities, the introduction of new and enhanced services offerings, and the continuing market acceptance of our services. We may in the future enter into arrangements to acquire or invest in complementary businesses, services and technologies, including intellectual property rights. We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, operating results and financial condition would be adversely affected.

In January 2015, we completed an initial public offering of our Class A common stock. We received net proceeds of \$187.2 million after deducting underwriting discounts and commissions of \$14.1 million but before deducting offering costs of \$5.7 million, of which \$2.9 million and \$588,000, respectively, was paid in the years ended January 31, 2015 and 2014, and the remaining \$2.2 million were paid after January 31, 2015.

In December 2015, we paid in full all amounts outstanding under our secured revolving credit facility entered into in August 2013 (August 2013 Facility), including the outstanding principal balance of \$40.0 million, and terminated the August 2013 Facility and all related loan documents and collateral documents, in conjunction with entering into a new revolving credit facility with a different lender (December 2015 Facility). The December 2015 Facility provides for a revolving loan facility in the amount of up to \$40.0 million maturing in December 2017.

The December 2015 Facility is denominated in U.S. dollars and, depending on certain conditions, each borrowing is subject to a floating interest rate equal to either the prime rate plus a spread of 0.25% to 2.75% or a reserve adjusted LIBOR rate (based on one, three or six-month interest periods) plus a spread of 1.25% to 3.75%. Although no minimum deposit is required for the December 2015 Facility, we are eligible for the lowest interest rate if we maintain at least \$40 million in deposits with the lender. In addition, there is an annual fee of 0.2% on the total commitment amount. At closing, we drew \$40.0 million at 1.82% (six month LIBOR plus 1.25%) which we used to repay the outstanding principal balance under the August 2013 Facility. Borrowings under the December 2015 Facility are collateralized by substantially all of our assets in the United States. It also contains various covenants, including covenants related to the delivery of financial and other information, the maintenance of quarterly financial covenants, as well as customary limitations on dispositions, mergers or consolidations and other corporate activities.

In February 2017, we amended the December 2015 Facility to extend the maturity date to December 2018.

Operating Activities

For the year ended January 31, 2017, cash used in operating activities was \$1.2 million. The primary factors affecting our operating cash flows during this period were our net loss of \$151.8 million, partially offset by non-cash charges of \$78.4 million for stock-based compensation, \$40.2 million for depreciation and amortization of our property and equipment and intangible assets, \$18.3 million for amortization of deferred commissions, and net cash inflows of \$13.7 million provided by changes in our operating assets and liabilities. The primary drivers of the changes in operating assets and liabilities were a \$55.6 million increase in deferred revenue, a \$5.9 million decrease in prepaid expenses and other assets, and a \$3.0 million increase in deferred rent, partially offset by a \$20.6 million increase in accounts receivable, a \$20.0 million increase in deferred commissions, a \$9.0 million

decrease in accrued expenses and other liabilities, and a \$1.1 million decrease in accounts payable. The increase in deferred revenue was primarily due to the growth in the number of paying customers, increased renewals and expansion of our existing customers as they broadened their deployment of our services and an enhanced developer access fee from one of our resellers. The increase in deferred commissions was due to higher sales. The increase in accounts receivable was due to higher sales and the timing of our cash collections during the period.

For the year ended January 31, 2016, cash used in operating activities was \$66.3 million. The primary factors affecting our operating cash flows during this period were our net loss of \$202.9 million, partially offset by non-cash charges of \$59.5 million for stock-based compensation, \$40.4 million for depreciation and amortization of our property and equipment and intangible assets, \$15.8 million for amortization of deferred commissions, and net cash inflows of \$19.8 million provided by changes in our operating assets and liabilities. The primary drivers of the changes in operating assets and liabilities were a \$66.4 million increase in deferred revenue, a \$32.4 million increase in deferred rent, and a \$17.9 million increase in accrued expenses and other liabilities, partially offset by a \$45.4 million increase in accounts receivable, a \$25.7 million increase in prepaid expenses and other assets, and a \$21.7 million increase in deferred commissions. The increase in deferred revenue was primarily due to the growth in the number of paying customers and increased renewals and expansion of our existing customers as they broadened their deployment of our services. The increase in deferred commissions was due to higher sales. The increase in accounts receivable was due to higher sales and the timing of our cash collections during the period.

For the year ended January 31, 2015, cash used in operating activities was \$84.9 million. The primary factors affecting our operating cash flows during this period were our net loss of \$168.2 million, partially offset by non-cash charges of \$31.9 million for stock-based compensation, \$29.0 million for depreciation and amortization of our property and equipment and intangible assets, \$12.1 million for amortization of deferred commissions, and net cash inflows of \$11.3 million provided by changes in our operating assets and liabilities. The primary drivers of the changes in operating assets and liabilities were a \$30.0 million increase in deferred revenue, a \$7.0 million increase in accrued expenses and other liabilities, a \$3.2 million increase in accounts payable, and a \$1.3 million increase in deferred rent, partially offset by a \$16.2 million increase in deferred commissions, a \$11.5 million increase in accounts receivable, and a \$2.5 million increase in prepaid expenses and other assets. The increase in deferred revenue was primarily due to the growth in the number of paying customers and increased renewals and expansion of our existing customers as they broadened their deployment of our services. The increase in deferred commissions was due to higher sales. The increase in accounts receivable was due to higher sales and the timing of our cash collections during the period.

Investing Activities

Cash used in investing activities of \$7.6 million for the year ended January 31, 2017 was primarily due to \$15.0 million of capital expenditures primarily related to our new Redwood City headquarters during the first half of fiscal year 2017, partially offset by \$7.3 million of proceeds from sales and maturities of marketable securities.

Cash used in investing activities of \$80.9 million for the year ended January 31, 2016 was primarily due to \$112.5 million of purchases of marketable securities, \$72.9 million of capital expenditures, and \$0.3 million of payments for acquisitions and purchases of intangible assets, net of cash acquired, partially offset by \$104.8 million of proceeds from sales and maturities of marketable securities. For the year ended January 31, 2016, we experienced significantly higher capital expenditures in connection with building improvements incurred for our new Redwood City Headquarters which we moved into in November 2015.

Cash used in investing activities of \$38.9 million for the year ended January 31, 2015 was primarily due to capital expenditures.

Financing Activities

Cash provided by financing activities of \$0.5 million for the year ended January 31, 2017 was primarily due to \$15.7 million of proceeds from issuances of common stock under the 2015 ESPP and \$11.1 million of proceeds from exercise of stock options, partially offset by \$17.6 million of employee payroll taxes paid related to net share settlement of restricted stock units and \$8.7 million of payments of capital lease obligations.

Cash provided by financing activities of \$2.5 million for the year ended January 31, 2016 was primarily due to \$10.3 million proceeds from issuances of common stock under our 2015 ESPP and \$7.0 million proceeds from exercise of stock options, partially offset by \$10.4 million of employee payroll taxes paid related to net share settlement of restricted stock units, \$2.2 million of payments of offering costs related to our initial public offering, \$2.0 million of payments of capital lease obligations, and \$0.1 million net payment of borrowings.

Cash provided by financing activities of \$345.4 million for the year ended January 31, 2015 was primarily due to \$184.2 million of proceeds from our initial public offering, net of issuance costs, \$149.6 million in net proceeds from the issuance of our Series F redeemable convertible preferred stock, \$6.0 million of net proceeds from borrowings, and \$6.0 million of proceeds from exercise of stock options.

Contractual Obligations and Commitments

The following summarizes our contractual obligations and commitments as of January 31, 2017:

	<u>Total</u>	<u>Payments Due by Period</u>			
		<u>Less Than 1 Year</u>	<u>1-3 Years</u>	<u>3-5 Years</u>	<u>More Than 5 Years</u>
Debt(1)	\$ 41,770	\$ 955	\$ 40,815	\$ —	\$ —
Operating lease obligations, net of sublease income amounts(2)	271,965	20,668	51,130	53,710	146,457
Capital leases(3)	36,584	14,570	18,671	3,343	—
Purchase obligations(4)	46,094	14,207	31,887	—	—
Total	<u>\$396,413</u>	<u>\$50,400</u>	<u>\$142,503</u>	<u>\$57,053</u>	<u>\$146,457</u>

- (1) Includes interest and unused commitment fee on our line of credit.
- (2) Includes operating lease obligations for our buildings. As of January 31, 2017, we anticipated receiving sublease income of \$17.1 million over the next four years from tenants in certain of our leased facilities. The amounts set forth in the table above are net of these sublease income amounts.
- (3) Includes obligations related to our datacenter hardware.
- (4) Purchase obligations relate primarily to datacenter operations and sales and marketing activities.

Off-Balance Sheet Arrangements

Through January 31, 2017, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions. Our actual results may differ from these estimates under different assumptions or conditions.

We believe that of our significant accounting policies, which are described in Note 2 to our consolidated financial statements, the following accounting policies involve a greater degree of judgment and complexity. Accordingly, these are the policies we believe are the most critical to aid in fully understanding and evaluating our consolidated financial condition and results of our operations.

Revenue Recognition

We derive our revenue primarily from three sources: (1) subscription revenue, which is comprised of subscription fees from customers utilizing our cloud content management platform and other subscription-based services, which all include routine customer support; (2) revenue from customers purchasing our premier support package; and (3) revenue from professional services such as implementing best practice use cases, project management and implementation consulting services.

We recognize revenue when all of the following conditions are met:

- there is persuasive evidence of an arrangement;
- the service has been provided to the customer;
- the collection of fees is reasonably assured; and
- the amount of fees to be paid by the customer is fixed or determinable.

We typically invoice our customers at the beginning of the term, in multiyear, annual, quarterly or monthly installments. Our subscription and support contracts are typically non-cancellable and do not contain refund-type provisions. Revenue is presented net of sales and other taxes we collect on behalf of governmental authorities.

In instances where we collect fees in advance of service delivery, revenue under the contract is deferred until we successfully deliver such services.

Subscription revenue is recognized ratably over the period of the subscription beginning once all requirements for revenue recognition have been met, including provisioning the service so that it is available to our customers. Premier support is sold together with the subscription services, and the term of the premier support is generally the same as the related subscription. Accordingly, we recognize premier support revenue in the same manner as the associated subscription. Professional services revenue is recognized as the services are rendered for time and material contracts, and using the proportional performance method over the period the services are performed for fixed price contracts.

We assess collectability based on a number of factors, such as past collection history and creditworthiness of the customer. If management determines collectability is not reasonably assured, we defer revenue recognition until collectability becomes reasonably assured.

Our arrangements can include multiple elements which may consist of some or all of subscription services, premier support and professional services. When multiple-element arrangements exist, we evaluate whether these individual deliverables should be accounted for as separate units of accounting or one single unit of accounting.

In order to treat deliverables in a multiple-element arrangement as separate units of accounting, the delivered item or items must have standalone value upon delivery. A delivered item has standalone value to the customer when either (1) any vendor sells that item separately or (2) the customer could resell that item on a standalone basis. Our subscription services have standalone value as such services are often sold separately. Our premier support services do not have standalone value because we and other vendors do not sell premier support services separately. Our professional services have standalone value because there are other vendors which sell the same professional services separately. For new services, we assess standalone value consistently with the foregoing policy. Accordingly, we consider the separate units of accounting in our multiple deliverable

arrangements to be the professional services, subscription services or a combined deliverable comprised of subscription services and premier support services. When multiple deliverables included in an arrangement are separable into different units of accounting, the arrangement consideration is allocated to the identified separate units of accounting based on their relative selling price. Multiple-element arrangement accounting guidance provides a hierarchy to use when determining the relative selling price for each unit of accounting. Vendor-specific objective evidence (VSOE) of selling price, based on the price at which the item is regularly sold by the vendor on a standalone basis, should be used if it exists. If VSOE of selling price is not available, third-party evidence (TPE) of selling price is used to establish the selling price if it exists. We have not established VSOE for our subscription services, premier support or professional services due to lack of pricing consistency, the introduction of new services and other factors. We have also concluded that third-party evidence of selling price is not a practical alternative due to differences in our service offerings compared to other parties and the availability of relevant third-party pricing information. Accordingly, we use our best estimate of selling price (BESP) to determine the relative selling price for our subscription, premier support and professional services offerings. For arrangements with multiple deliverables which can be separated into different units of accounting, we allocate the arrangement fee to the separate units of accounting based on our BESP. The amount of arrangement fee allocated is limited by contingent revenue, if any.

We determined BESP by considering our overall pricing objectives and market conditions. Significant pricing practices taken into consideration for our subscription services, which may also include premier support, and professional services, include discounting practices, the size and volume of our transactions, the customer demographic, the geographic area where services are sold, price lists, our go-to-market strategy, historical standalone sales and contract prices. The determination of BESP is made through consultation with and approval by our management, taking into consideration the go-to-market strategy. As our go-to-market strategies evolve, we may modify our pricing practices in the future, which could result in changes in relative selling prices.

Deferred Commissions

Deferred commissions consist of direct incremental costs paid to our sales force associated with non-cancellable terms of the related contracts. The deferred commission amounts are recoverable through future revenue streams under the non-cancellable customer contracts. Direct sales commissions are deferred when earned and amortized over the same period that revenue is recognized for the related non-cancellable subscription period. Amortization of deferred commissions is included in sales and marketing expense in the consolidated statements of operations.

Stock-Based Compensation

We measure and recognize compensation expense for all stock-based awards granted to our employees and other service providers, including stock options, restricted stock units, restricted stock and purchase rights granted under our 2015 Employee Stock Purchase Plan (2015 ESPP), based on the estimated fair value of the award on the grant date. We use the Black-Scholes option pricing model to estimate the fair value of stock option awards and purchase rights granted under our 2015 ESPP. Prior to our initial public offering in January 2015, the fair value of restricted stock units and restricted stock was determined based on the fair value of our common stock estimated as part of the capital stock and business enterprise valuation process. We use the market closing price of our Class A common stock as reported on the New York Stock Exchange for the fair value of restricted stock units and restricted stock granted after our initial public offering. We recognize the fair value of stock options, restricted stock units and restricted stock as an expense, net of estimated forfeitures, on a straight-line basis over the requisite service period. We recognize the fair value of purchase rights granted under our 2015 ESPP as an expense on a straight-line basis over the offering period.

Our option pricing model requires the input of certain assumptions, including the fair value of the underlying common stock, the expected term of the option, the expected volatility of the price of our common stock, risk-free interest rates, and the expected dividend yield of our common stock. The assumptions used in our

option pricing model represent management's best estimates. These estimates involve inherent uncertainties and the application of management's judgment. If factors change and different assumptions are used, our stock-based compensation expense could be materially different in the future.

These assumptions are estimated as follows:

- *Fair Value of Common Stock.* Prior to our initial public offering in January 2015, our board of directors considered numerous objective and subjective factors to determine the fair value of our common stock at each grant date. These factors included, but were not limited to, (i) contemporaneous valuations of common stock performed by unrelated third-party specialists; (ii) the prices for our redeemable convertible preferred stock sold to outside investors; (iii) the rights, preferences and privileges of our redeemable convertible preferred stock relative to our common stock; (iv) the lack of marketability of our common stock; (v) developments in the business; and (vi) the likelihood of achieving a liquidity event, such as an initial public offering or a merger or acquisition of Box, given prevailing market conditions.

Subsequent to the completion of our initial public offering, we use the market closing price for our Class A common stock as reported on the New York Stock Exchange.

- *Risk-Free Interest Rate.* We base the risk-free interest rate used in the Black-Scholes option pricing model on the implied yield available on U.S. Treasury zero-coupon issues with remaining terms similar to the expected term on the options and ESPP purchase rights.
- *Expected Term.* The expected term represents the period that our stock-based awards are expected to be outstanding. We determined the expected term assumption based on the vesting terms, exercise terms and contractual terms of the options and ESPP purchase rights.
- *Expected Volatility.* Since we do not have sufficient trading history of our common stock, the expected volatility was derived from the historical stock volatilities of several unrelated public companies within the same industry that we consider to be comparable to our business over a period equivalent to the expected term of the stock option grants.
- *Dividend Yield.* We have never declared or paid any cash dividends and do not plan to pay cash dividends in the foreseeable future, and, therefore, use an expected dividend yield of zero.

The following table summarizes the assumptions relating to our stock options and ESPP purchase rights, as follows:

	Year Ended January 31,		
	2017	2016	2015
Employee Stock Options			
Expected term (in years)	5.5 – 6.0	5.5 – 6.1	5.7 – 6.2
Risk-free interest rate	1.3% – 2.0%	1.5% – 1.9%	1.8% – 2.1%
Volatility	40% – 43%	42% – 44%	45% – 49%
Dividend yield	0%	0%	0%
Employee Stock Purchase Plan			
Expected term (in years)	0.5 – 2.0	0.5 – 2.0	0.6 – 2.1
Risk-free interest rate	0.5% – 0.9%	0.2% – 0.8%	0.1% – 0.6%
Volatility	39% – 60%	33% – 41%	37% – 41%
Dividend yield	0%	0%	0%

In addition, we are required to estimate the expected forfeiture rate and only recognize expense for those shares that are expected to vest. We estimate the expected forfeiture rate based on historical experience and our expectations regarding future pre-vesting termination behavior of employees and other service providers. To the extent our actual forfeiture rate is different from our estimate, stock-based compensation expense is adjusted accordingly.

We will continue to use judgment in evaluating the assumptions related to our stock-based compensation on a prospective basis. As we continue to accumulate additional data related to our common stock, we may have refinements to our estimates, which could materially impact our future stock-based compensation expense.

Business Combinations and Valuation of Goodwill and Other Acquired Intangible Assets

We allocate the fair value of purchase consideration to the tangible assets acquired, liabilities assumed, and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. Significant estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from acquired users, acquired technology, and trade names from a market participant perspective, useful lives, and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. During the measurement period, which is one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

We review goodwill for impairment at least annually or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable. We have elected to first assess the qualitative factors to determine whether it is more likely than not that the fair value of our single reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. If we determine that it is more likely than not that its fair value is less than its carrying amount, then the two-step goodwill impairment test will be performed. The first step, identifying a potential impairment, compares the fair value of the reporting unit with its carrying amount. If the carrying amount exceeds its fair value, the second step will be performed; otherwise, no further step is required. The second step, measuring the impairment loss, compares the implied fair value of the goodwill with the carrying amount of the goodwill. Any excess of the goodwill carrying amount over the implied fair value is recognized as an impairment loss, and the carrying value of goodwill is written down to fair value. As of January 31, 2017, no impairment of goodwill has been identified.

Acquired finite-lived intangible assets are amortized over their estimated useful lives, which is generally two to seven years. We evaluate the recoverability of our intangible assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If such review indicates that the carrying amount of intangible assets is not recoverable, the carrying amount of such assets is reduced to fair value. We have not recorded any such impairment charge during the years presented.

Legal Contingencies

From time to time, we are a party of litigation and subject to claims that arise in the ordinary course of business. We investigate these claims as they arise, and accrue estimates for resolution of legal and other contingencies when losses are probable and estimable. Because the results of litigation and claims cannot be predicted with certainty, we base our loss accruals on the best information available at the time. As additional information becomes available, we reassess our potential liability and may revise our estimates. Such revisions could have a material impact on future quarterly or annual results of operations.

Recently Issued Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2017-04, *Intangibles-Goodwill and Other: Simplifying the Test for Goodwill Impairment*. ASU 2017-04

simplifies the accounting for goodwill impairment by removing Step 2 of the goodwill impairment test. Under current guidance, Step 2 of the goodwill impairment test requires entities to calculate the implied fair value of goodwill in the same manner as the amount of goodwill recognized in a business combination by assigning the fair value of a reporting unit to all of the assets and liabilities of the reporting unit. The carrying value in excess of the implied fair value is recognized as goodwill impairment. Under the new standard, goodwill impairment is recognized based on Step 1 of the current guidance, which calculates the carrying value in excess of the reporting unit's fair value. The new standard is effective for us beginning February 1, 2020, with early adoption permitted. We do not believe the adoption of ASU 2017-04 will have a material impact on our consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash*. ASU 2016-18 requires entities to show the changes in cash, cash equivalents, and restricted cash in the statement of cash flows. Entities will no longer present transfers between cash and cash equivalents and restricted cash in the statement of cash flows. As of January 31, 2017 and 2016, we had \$26.8 million and \$28.0 million in restricted cash, respectively. Restricted cash consists of certificates of deposit related to our leases. The new standard is effective for us beginning February 1, 2018, with early adoption permitted. We do not believe the adoption of ASU 2016-18 will have a material impact on our consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payment*. ASU 2016-15 provides guidance on the classification of eight cash flow issues in order to reduce diversity in practice. The new standard is effective for us beginning February 1, 2018 with early adoption permitted. We do not believe the adoption of ASU 2016-15 will have a material impact on our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments- Credit Losses*. ASU 2016-13 replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. For trade receivables, loans, and other financial instruments, we will be required to use a forward-looking expected loss model rather than the incurred loss model for recognizing credit losses which reflects losses that are probable. The new standard is effective for us beginning February 1, 2020 with early adoption permitted. We are currently evaluating the impact of the provisions of this new standard on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation- Stock Compensation*. ASU 2016-09 changes the accounting for certain aspects of share-based payments to employees. The new guidance requires excess tax benefits and tax deficiencies to be recorded in the income statement. In addition, cash flows related to excess tax benefits will no longer be separately classified as a financing activity apart from other income tax cash flows. The standard also allows entities to repurchase more of an employee's shares for tax withholding purposes without triggering liability accounting, clarifies that all cash payments made on an employee's behalf for withheld shares should be presented as a financing activity on the cash flow statement, and provides an accounting policy election to account for forfeitures as they occur. The new standard is effective for us beginning February 1, 2017 with early adoption permitted. We do not believe the adoption of ASU 2016-09 will have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires lessees to put most leases on their balance sheet while recognizing expense in a manner similar to existing accounting. The new accounting guidance is effective for our fiscal year beginning February 1, 2019 and early adoption is permitted. We are currently evaluating the impact of the provisions of this new standard on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09 regarding ASC Topic 606, *Revenue from Contracts with Customers*. The standard provides principles for recognizing revenue for the transfer of promised goods or services to customers with the consideration to which the entity expects to be entitled in exchange for those

goods or services. The standard also provides guidance on the recognition of sales commission costs related to obtaining customer contracts. In addition, the FASB issued subsequent ASUs, which serve to clarify certain aspects of ASU 2014-09. The standard will be effective for us beginning February 1, 2018. The guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (modified retrospective method). We currently anticipate adopting the standard using the modified retrospective method that will result in a cumulative effect adjustment.

We have established a cross-functional coordinated implementation team to implement the standard update related to the recognition of revenue from contracts with customers. We have identified, and are in the process of implementing, appropriate changes to our business processes, systems and controls to support recognition and disclosure under the new standard. Based on our ongoing evaluation, we believe the impacts of this ASU will be related to the capitalization and amortization of sales commissions, the timing of revenue recognition for certain sales contracts, and their respective disclosures. We expect there may be a change to the period over which sales commissions will be amortized to closely align to the period of benefit and a change to the scope of capitalized sales commissions based on the definition of incremental costs of obtaining a contract. In addition, there may be a change in relation to the timing of revenue recognition for certain sales contracts, due to the removal of the current limitation on contingent revenue. These changes are being evaluated to determine the potential impact to our financial statements and disclosures. We continue to assess all potential impacts of this ASU, so our preliminary conclusions may change.

Recently Adopted Accounting Pronouncements in Fiscal Year 2017

In April 2015, the FASB issued ASU 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements—Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting*, in response to ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which requires entities to present debt issuance costs related to a recognized debt liability as a direct deduction from the carrying amount of the debt liability. ASU 2015-03 did not address the presentation or subsequent measurement of debt issuance costs related to line-of-credit arrangements. ASU 2015-15 was issued to confirm that for line-of-credit arrangements, an entity may defer and present debt issuance costs as an asset and subsequently amortize the debt issuance costs ratably over the term of the arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangements. We adopted this standard for the quarter ended April 30, 2016 on a retrospective basis. Our adoption did not have an impact on our consolidated financial statements as we have historically capitalized related debt issuance costs for our line-of-credit arrangements and presented as an asset in our consolidated balance sheet. The amortization of debt issuance costs was not material for any periods presented.

In September 2015, the FASB issued ASU 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments*, which eliminates the requirement to restate prior period financial statements for measurement period adjustments. The standard requires that the cumulative impact of a measurement period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified. We adopted this standard for the three months ended April 30, 2016 on a prospective basis. Our adoption did not have an impact on any periods presented.

Non-GAAP Financial Measures

Regulation S-K Item 10(e), “Use of Non-GAAP Financial Measures in Commission Filings,” defines and prescribes the conditions for use of non-GAAP financial information. Our measures of non-GAAP operating loss, non-GAAP operating margin, non-GAAP net loss, non-GAAP net loss per share, and free cash flow (collectively, the non-GAAP financial measures) each meet the definition of a non-GAAP financial measure.

We use these non-GAAP financial measures and our key metrics for financial and operational decision-making and as a means to evaluate period-to-period comparisons. We believe that these non-GAAP financial measures and key metrics provide meaningful supplemental information regarding our performance by excluding certain expenses that may not be indicative of our recurring core business operating results. We believe that both management and investors benefit from referring to these non-GAAP financial measures and key metrics in assessing our performance and when planning, forecasting, and analyzing future periods. These non-GAAP financial measures and key metrics also facilitate management's internal comparisons to our historical performance as well as comparisons to our competitors' operating results. We believe these non-GAAP financial measures and key metrics are useful to investors both because (1) they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making and (2) they are used by our institutional investors and the analyst community to help them analyze the health of our business.

Non-GAAP operating loss

We define non-GAAP operating loss as operating loss excluding expenses related to stock-based compensation, intangible assets amortization, and as applicable, other special items. Although stock-based compensation is an important aspect of the compensation of Box's employees and executives, determining the fair value of certain of the stock-based instruments we utilize involves a high degree of judgment and estimation and the expense recorded may bear little resemblance to the actual value realized upon the vesting or future exercise of the related stock-based awards. Furthermore, unlike cash compensation, the value of stock options, which is an element of our ongoing stock-based compensation expense, is determined using a complex formula that incorporates factors, such as market volatility, that are beyond our control. For restricted share unit awards, the amount of stock-based compensation expenses is not reflective of the value ultimately received by the grant recipients. Management believes it is useful to exclude stock-based compensation in order to better understand the long-term performance of our core business and to facilitate comparison of our results to those of peer companies. Management also views amortization of acquisition-related intangible assets, such as the amortization of the cost associated with an acquired company's research and development efforts, trade names and customer relationships, as items arising from pre-acquisition activities determined at the time of an acquisition. While these intangible assets are continually evaluated for impairment, amortization of the cost of acquired intangible assets is a static expense, one that is not typically affected by operations during any particular period. We further exclude legal settlement and related costs because they are considered by management to be special items outside our core operating results.

Non-GAAP operating loss and operating margin

We define non-GAAP operating loss as operating loss excluding expenses related to stock-based compensation, intangible assets amortization, and as applicable, other special items. We specifically identify other adjusting items in our reconciliation of GAAP to Non-GAAP financial measures. Non-GAAP operating margin is defined as non-GAAP operating loss divided by revenue. Although stock-based compensation is an important aspect of the compensation of Box's employees and executives, determining the fair value of certain of the stock-based instruments we utilize involves a high degree of judgment and estimation and the expense recorded may bear little resemblance to the actual value realized upon the vesting or future exercise of the related stock-based awards. Furthermore, unlike cash compensation, the value of stock options, which is an element of our ongoing stock-based compensation expense, is determined using a complex formula that incorporates factors, such as market volatility, that are beyond our control. For restricted stock unit awards, the amount of stock-based compensation expenses is not reflective of the value ultimately received by the grant recipients. Management believes it is useful to exclude stock-based compensation in order to better understand the long-term performance of our core business and to facilitate comparison of our results to those of peer companies. Management also views amortization of acquisition-related intangible assets, such as the amortization of the cost associated with an acquired company's developed technology and trade names, as items arising from pre-acquisition activities determined at the time of an acquisition. While these intangible assets are continually evaluated for impairment, amortization of the cost of purchased intangibles is a static expense, one that is not typically affected by

operations during any particular period. We further exclude expenses related to certain litigation because they are considered by management to be special items outside our core operating results.

Non-GAAP net loss and net loss per share

We define non-GAAP net loss as net loss excluding expenses related to stock-based compensation, intangible assets amortization and as applicable, other special items. We specifically identify other adjusting items in our reconciliation of GAAP to Non-GAAP financial measures. We define non-GAAP net loss per share as non-GAAP net loss divided by the weighted average outstanding shares. We exclude expenses related to certain litigation because they are considered by management to be special items outside our core operating results.

Free Cash Flow

We define free cash flow as cash provided by (used in) operating activities less purchases of property and equipment, principal payments of capital lease obligations, and other items that did not or are not expected to require cash settlement and that management considers to be outside of our core business. We specifically identify other adjusting items in our reconciliation of GAAP to Non-GAAP financial measures. Historically, these items have included restricted cash used to guarantee a significant letter of credit for our Redwood City headquarters. We consider free cash flow to be a profitability and liquidity measure that provides useful information to management and investors about the amount of cash generated by the business that can possibly be used for investing in our business and strengthening the balance sheet, but it is not intended to represent the residual cash flow available for discretionary expenditures. A reconciliation of free cash flow to cash used in operating activities, its nearest GAAP equivalent, is presented below. The presentation of free cash flow is also not meant to be considered in isolation or as an alternative to cash flows from operating activities as a measure of liquidity.

Limitations on the use of non-GAAP financial measures

A limitation of our non-GAAP financial measures is that they do not have uniform definitions. Our definitions will likely differ from the definitions used by other companies, including peer companies, and therefore comparability may be limited. Thus, our non-GAAP measures should be considered in addition to, not as a substitute for, or in isolation from, measures prepared in accordance with GAAP. Additionally, in the case of stock-based compensation expense, if we did not pay a portion of compensation in the form of stock-based compensation expense, the cash salary expense included in costs of revenue and operating expenses would be higher which would affect our cash position.

We compensate for these limitations by reconciling non-GAAP financial measures to the most comparable GAAP financial measures. We encourage investors and others to review our financial information in its entirety, not to rely on any single financial measure and to view our non-GAAP financial measures in conjunction with the most comparable GAAP financial measures.

Our reconciliation of the non-GAAP financial measures for years ended January 31, 2017, 2016 and 2015 are as follows (in thousands, except per share data and percentages):

	Year Ended January 31,		
	2017	2016	2015
GAAP operating loss	\$(150,655)	\$(201,003)	\$(166,656)
Stock-based compensation	78,372	59,504	31,929
Intangible assets amortization	3,352	5,597	3,624
Expenses related to a legal verdict(1)	(1,664)	1,586	3,900
Non-GAAP operating loss	<u>\$ (70,595)</u>	<u>\$ (134,316)</u>	<u>\$ (127,203)</u>
GAAP operating margin	(38)%	(66)%	(77)%
Stock-based compensation	19	20	15
Intangible assets amortization	1	1	1
Expenses related to a legal verdict(1)	—	1	2
Non-GAAP operating margin	<u>(18)%</u>	<u>(44)%</u>	<u>(59)%</u>
GAAP net loss	\$(151,787)	\$(202,948)	\$(168,227)
Stock-based compensation	78,372	59,504	31,929
Intangible assets amortization	3,352	5,597	3,624
Expenses related to a legal verdict(1)	(1,664)	1,586	3,900
Remeasurement of redeemable convertible preferred stock warrant liability	—	—	(126)
Non-GAAP net loss	<u>\$ (71,727)</u>	<u>\$ (136,261)</u>	<u>\$ (128,900)</u>
GAAP net loss attributable to common stockholders	\$(151,787)	\$(202,948)	\$(181,992)
Stock-based compensation	78,372	59,504	31,929
Intangible assets amortization	3,352	5,597	3,624
Expenses related to a legal verdict(1)	(1,664)	1,586	3,900
Remeasurement of redeemable convertible preferred stock warrant liability	—	—	(126)
Accretion of redeemable convertible preferred stock	—	—	11,503
Deemed dividend on the conversion of Series F redeemable convertible preferred stock	—	—	2,262
Non-GAAP net loss attributable to common stockholders	<u>\$ (71,727)</u>	<u>\$ (136,261)</u>	<u>\$ (128,900)</u>
GAAP net loss per share attributable to common stockholders, basic and diluted	\$ (1.19)	\$ (1.67)	\$ (11.48)
Stock-based compensation	0.61	0.49	2.01
Intangible assets amortization	0.03	0.05	0.23
Expenses related to a legal verdict(1)	(0.01)	0.01	0.25
Remeasurement of redeemable convertible preferred stock warrant liability	—	—	(0.01)
Accretion of redeemable convertible preferred stock	—	—	0.73
Deemed dividend on the conversion of Series F redeemable convertible preferred stock	—	—	0.14
Non-GAAP net loss per share attributable to common stockholders, basic and diluted	<u>\$ (0.56)</u>	<u>\$ (1.12)</u>	<u>\$ (8.13)</u>
Weighted-average shares used to compute net loss per share attributable to common stockholders, basic and diluted(2)	<u>127,469</u>	<u>121,240</u>	<u>15,854</u>
GAAP net cash used in operating activities	\$ (1,218)	\$ (66,321)	\$ (84,900)
Restricted cash used to guarantee a letter of credit for our Redwood City headquarters	—	25,000	—
Purchases of property and equipment	(14,956)	(72,939)	(38,681)
Payments of capital lease obligations	(8,675)	(2,036)	(69)
Free cash flow	<u>\$ (24,849)</u>	<u>\$ (116,296)</u>	<u>\$ (123,650)</u>

(1) Included in general and administrative expenses in the consolidated statements of operations.

(2) Upon the closing of Box's initial public offering on January 28, 2015, 88.1 million shares of Box's redeemable convertible preferred stock were converted and reclassified to Box's common stock. In addition, 85,354 shares of Box's common stock were issued upon the net exercise of a warrant to purchase shares of Box's redeemable convertible preferred stock.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We had cash and cash equivalents and restricted cash of \$204.2 million as of January 31, 2017. Our cash equivalents and restricted cash primarily consist of overnight deposits and certificates of deposit. All restricted cash is recorded at its estimated fair value. We do not enter into investments for trading or speculative purposes. Our investments are exposed to market risk due to fluctuations in interest rates, which may affect our interest income and the fair market value of our marketable securities. Due to the short-term duration of our investment portfolios, however, we do not believe an immediate 10% increase or decrease in interest rates would have a material effect on the fair market value of our portfolio. We therefore do not expect our operating results or cash flows to be materially affected by a sudden change in market interest rates and we do not enter into investments for trading or speculative purposes.

In December 2015, we entered into a revolving credit facility (December 2015 Facility) in the amount of up to \$40.0 million maturing in December 2017. The December 2015 Facility is denominated in U.S. dollars and, depending on certain conditions, each borrowing is subject to a floating interest rate equal to either the prime rate plus a spread of 0.25% to 2.75% or a reserve adjusted LIBOR rate (based on one, three or six-month interest periods) plus a spread of 1.25% to 3.75%. Although no minimum deposit is required for the December 2015 Facility, we are eligible for the lowest interest rate if we maintain at least \$40 million in deposits with the lender. In February 2017, we amended the December 2015 Facility to extend the maturity date to December 2018.

Interest rate risk also reflects our exposure to movements in interest rates associated with the December 2015 Facility. As of January 31, 2017, we had total debt outstanding with a carrying amount of 40.0 million which approximates fair value. A hypothetical 10% increase or decrease in interest rates after January 31, 2017 would not have a material impact on the fair value of our outstanding debt.

Foreign Currency Risk

Our sales contracts are denominated predominantly in U.S. dollars and, to a lesser extent, British Pounds, Euros, Japanese Yen, Australian Dollars, and Canadian Dollars. Consequently, our customer billings denominated in foreign currency are subject to foreign currency exchange risk. A portion of our operating expenses are incurred outside the United States and are denominated in foreign currencies, which are also subject to fluctuations due to changes in foreign currency exchange rates. Additionally, fluctuations in foreign currency exchange rates may cause us to recognize transaction gains and losses in our statement of operations. To date we have managed our foreign currency risk by maintaining offsetting assets and liabilities and minimizing non-USD cash balances, and have not entered into derivatives or hedging transactions as our exposure to foreign currency exchange rates has not been material to our historical operating results; however, we may do so in the future if our exposure to foreign currency should become more significant. There were no significant foreign exchange gains or losses in the fiscal year ended January 31, 2017 and January 31, 2016.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

BOX, INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Box, Inc.

We have audited the accompanying consolidated balance sheets of Box, Inc. as of January 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive loss, redeemable convertible preferred stock and stockholder's equity (deficit) and cash flows for each of the three years in the period ended January 31, 2017. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Box, Inc. at January 31, 2017 and 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended January 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Box, Inc.'s internal control over financial reporting as of January 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 24, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Francisco, California

March 24, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Box, Inc.

We have audited Box, Inc.'s internal control over financial reporting as of January 31, 2017, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Box, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Box, Inc. maintained, in all material respects, effective internal control over financial reporting as of January 31, 2017 based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2017 consolidated financial statements of Box, Inc. and our report dated March 24, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Francisco, California

March 24, 2017

BOX, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	January 31,	
	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 177,391	\$ 185,741
Marketable securities	—	7,379
Accounts receivable, net of allowance of \$3,346 and \$3,678	120,113	99,542
Prepaid expenses and other current assets	10,826	14,729
Deferred commissions	13,771	12,603
Total current assets	322,101	319,994
Property and equipment, net	117,176	120,492
Intangible assets, net	543	3,895
Goodwill	16,293	14,301
Restricted cash	26,781	27,952
Other long-term assets	10,780	10,854
Total assets	\$ 493,674	\$ 497,488
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 6,658	\$ 9,862
Accrued compensation and benefits	30,415	35,631
Accrued expenses and other current liabilities	17,713	31,926
Capital lease obligations, current	13,748	4,698
Deferred revenue	228,656	168,051
Deferred rent	751	298
Total current liabilities	297,941	250,466
Debt, non-current	40,000	40,000
Capital lease obligations, non-current	21,697	7,316
Deferred revenue, non-current	13,328	18,362
Deferred rent, non-current	44,207	41,674
Other long-term liabilities	1,769	1,769
Total liabilities	418,942	359,587
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Preferred stock, par value \$0.0001 per share; 100,000 shares authorized, no shares issued and outstanding as of January 31, 2017 and January 31, 2016, respectively	—	—
Class A common stock, par value \$0.0001 per share; 1,000,000 shares authorized, 67,831 shares issued and outstanding as of January 31, 2017; 1,000,000 shares authorized, 42,266 shares issued and outstanding as of January 31, 2016	7	4
Class B common stock, par value \$0.0001 per share; 200,000 shares authorized, 62,780 shares issued and outstanding as of January 31, 2017; 200,000 shares authorized, 81,855 shares issued and outstanding as of January 31, 2016	6	8
Additional paid-in capital	960,144	871,491
Treasury stock	(1,177)	(1,177)
Accumulated other comprehensive loss	(120)	(84)
Accumulated deficit	(884,128)	(732,341)
Total stockholders' equity	74,732	137,901
Total liabilities and stockholders' equity	\$ 493,674	\$ 497,488

See notes to consolidated financial statements

BOX, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	<u>Year Ended January 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenue	\$ 398,605	\$ 302,704	\$ 216,440
Cost of revenue	112,130	87,100	47,273
Gross profit	286,475	215,604	169,167
Operating expenses:			
Research and development	115,928	102,500	66,402
Sales and marketing	253,020	242,184	207,749
General and administrative	68,182	71,923	61,672
Total operating expenses	<u>437,130</u>	<u>416,607</u>	<u>335,823</u>
Loss from operations	(150,655)	(201,003)	(166,656)
Remeasurement of redeemable convertible preferred stock warrant liability	—	—	126
Interest expense, net	(896)	(1,157)	(2,009)
Other income (expense), net	678	(98)	(257)
Loss before provision (benefit) for income taxes	(150,873)	(202,258)	(168,796)
Provision (benefit) for income taxes	914	690	(569)
Net loss	(151,787)	(202,948)	(168,227)
Accretion of redeemable convertible preferred stock	—	—	(11,503)
Deemed dividend on the conversion of Series F redeemable convertible preferred stock	—	—	(2,262)
Net loss attributable to common stockholders	<u>\$(151,787)</u>	<u>\$(202,948)</u>	<u>\$(181,992)</u>
Net loss per common share attributable to common stockholders, basic and diluted	<u>\$ (1.19)</u>	<u>\$ (1.67)</u>	<u>\$ (11.48)</u>
Weighted-average shares used to compute net loss per share attributable to common stockholders, basic and diluted	<u>127,469</u>	<u>121,240</u>	<u>15,854</u>

See notes to consolidated financial statements

BOX, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)

	<u>Year Ended January 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net loss	\$(151,787)	\$(202,948)	\$(168,227)
Other comprehensive loss*:			
Changes in foreign currency translation adjustment	(37)	(26)	(71)
Net change in unrealized gains on available-for-sale investments	2	(2)	—
Other comprehensive loss*:	(36)	(28)	(71)
Comprehensive loss	<u>\$(151,823)</u>	<u>\$(202,976)</u>	<u>\$(168,298)</u>

* Tax effect was not material

Due to rounding, numbers presented may not add up precisely to totals provided.

See notes to consolidated financial statements

BOX, INC.

CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)
(In thousands)

	Redeemable Convertible Preferred Stock		Class A and Class B Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Income	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
Balance as of January 31, 2014	76,238	\$ 393,217	13,955	\$ 1	\$ 29,815	\$(1,177)	\$ 15	\$(361,166)
Issuance of Series F redeemable convertible preferred stock for cash, net of issuance costs of \$386	7,500	149,614	—	—	—	—	—	—
Issuance of Series A redeemable convertible preferred stock upon net exercise of Series A redeemable convertible preferred stock warrants	85	1,220	—	—	—	—	—	—
Issuance of common stock upon stock option exercises	—	—	2,307	—	5,918	—	—	5,918
Issuance of common stock in connection with fiscal 2015 acquisitions	—	—	409	—	5,239	—	—	5,239
Stock-based compensation related to stock awards	—	—	343	—	31,929	—	—	31,929
Vesting of restricted stock units, net of shares withheld for employee payroll taxes	—	—	38	—	—	—	—	—
Employee payroll taxes withheld related to vesting of restricted stock awards	—	—	—	—	(359)	—	—	(359)
Vesting of early exercised stock options	—	—	—	—	684	—	—	684
Accretion of redeemable convertible preferred stock to redemption value	—	11,503	—	—	(11,503)	—	—	(11,503)
Deemed dividend on the conversion of Series F redeemable convertible preferred stock	4,405	2,262	—	—	(2,262)	—	—	(2,262)
Conversion of redeemable convertible preferred stock to common stock	(88,228)	(557,816)	88,228	9	557,807	—	—	557,816
Issuance of common stock upon Initial public offering, net of offering costs	—	—	14,375	2	181,475	—	(71)	181,477
Other comprehensive loss	—	—	—	—	—	—	—	(71)
Net loss	—	—	—	—	—	—	—	(168,227)
Balance as of January 31, 2015	—	—	119,655	12	798,743	(1,177)	(56)	268,129
Issuance of common stock upon stock option exercises	—	—	2,197	—	7,164	—	—	7,164
Issuance of common stock in connection with fiscal 2016 acquisitions	—	—	344	—	6,108	—	—	6,108
Stock-based compensation related to stock awards	—	—	—	—	59,504	—	—	59,504
Vesting of restricted stock units and restricted stock awards, net of shares withheld for employee payroll taxes	—	—	1,016	—	—	—	—	—

	Redeemable Convertible Preferred Stock		Class A and Class B Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount					
Employee payroll taxes withheld related to vesting of restricted stock units and restricted stock awards . . .	—	—	—	—	(10,436)	—	—	—	(10,436)
Restricted stock awards granted to non-employees . . .	—	—	11	—	—	—	—	—	—
Restricted stock awards forfeited due to termination . .	—	—	(13)	—	—	—	—	—	—
Vesting of shares subject to repurchase	—	—	—	—	126	—	—	—	126
Repurchase of shares	—	—	(24)	—	—	—	—	—	—
Common stock issued under employee stock purchase plan	—	—	935	—	10,282	—	—	—	10,282
Other comprehensive loss	—	—	—	—	—	—	(28)	—	(28)
Net loss	—	—	—	—	—	—	—	(202,948)	(202,948)
Balance as of January 31, 2016	—	—	124,121	12	871,491	(1,177)	(84)	(732,341)	137,901
Issuance of common stock upon stock option exercises	—	—	2,908	1	11,086	—	—	—	11,087
Issuance of common stock in connection with fiscal 2017 acquisitions	—	—	71	—	1,011	—	—	—	1,011
Issuance of common stock in connection with prior year acquisitions	—	—	8	—	—	—	—	—	—
Stock-based compensation related to stock awards . . .	—	—	—	—	78,372	—	—	—	78,371
Vesting of restricted stock units and restricted stock awards, net of shares withheld for employee payroll taxes	—	—	1,987	—	—	—	—	—	—
Employee payroll taxes withheld related to vesting of restricted stock units and restricted stock awards . . .	—	—	—	—	(17,552)	—	—	—	(17,551)
Common stock issued to non-employees for services rendered	—	—	8	—	—	—	—	—	—
Vesting of shares subject to repurchase	—	—	—	—	10	—	—	—	10
Common stock issued under employee stock purchase plan	—	—	1,508	—	15,726	—	—	—	15,726
Other comprehensive loss	—	—	—	—	—	—	(36)	—	(36)
Net loss	—	—	—	—	—	—	—	(151,787)	(151,787)
Balance as of January 31, 2017	—	\$—	130,611	\$ 13	\$960,144	\$(1,177)	\$(120)	\$(884,128)	\$ 74,732

See notes to consolidated financial statements

BOX, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended January 31,		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$(151,787)	\$(202,948)	\$(168,227)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	40,154	40,394	29,019
Stock-based compensation expense	78,372	59,504	31,929
Amortization of deferred commissions	18,260	15,816	12,079
Remeasurement of redeemable convertible preferred stock warrant liability	—	—	(126)
Release of deferred tax valuation allowance	—	—	(1,117)
Other	114	1,089	278
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable, net	(20,571)	(45,368)	(11,487)
Deferred commissions	(20,047)	(21,725)	(16,187)
Prepaid expenses and other assets, current and noncurrent	5,858	(25,717)	(2,521)
Accounts payable	(1,093)	(4,022)	3,231
Accrued expenses and other liabilities	(9,035)	17,943	6,952
Deferred rent	2,986	32,357	1,292
Deferred revenue	55,571	66,356	29,985
Net cash used in operating activities	(1,218)	(66,321)	(84,900)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of marketable securities	—	(112,521)	—
Sales of marketable securities	240	78,427	—
Maturities of marketable securities	7,057	26,370	—
Purchases of property and equipment	(14,956)	(72,939)	(38,681)
Proceeds from sale of property and equipment	87	73	—
Acquisitions and purchases of intangible assets, net of cash acquired	—	(271)	(202)
Net cash used in investing activities	(7,572)	(80,861)	(38,883)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from initial public offering, net of offering costs	—	(2,172)	184,237
Proceeds from borrowings, net of borrowing costs	(106)	39,860	12,000
Principal payments on borrowings	—	(40,000)	(6,000)
Proceeds from issuance of redeemable convertible preferred stock, net of issuance costs	—	—	149,614
Proceeds from exercise of stock options, net of repurchases of early exercised stock options	11,086	7,015	6,016
Proceeds from issuances of common stock under employee stock purchase plan	15,726	10,282	—
Employee payroll taxes paid related to net share settlement of restricted stock units	(17,552)	(10,436)	(359)
Payments of capital lease obligations	(8,675)	(2,036)	(69)
Net cash provided by financing activities	479	2,513	345,439
Effect of exchange rate changes on cash and cash equivalents	(39)	(26)	(71)
Net increase (decrease) in cash and cash equivalents	(8,350)	(144,695)	221,585
Cash and cash equivalents, beginning of period	185,741	330,436	108,851
Cash and cash equivalents, end of period	<u>\$ 177,391</u>	<u>\$ 185,741</u>	<u>\$ 330,436</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for interest, net of amounts capitalized	\$ 1,235	\$ 1,183	\$ 1,099
Cash paid for income taxes, net of tax refunds	239	832	157
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:			
Conversion of redeemable convertible preferred stock to common stock	\$ —	\$ —	\$ 557,816
Accretion of redeemable convertible preferred shares	—	—	11,503
Deemed dividend on the conversion of Series F redeemable convertible preferred stock	—	—	2,262
Change in accrued equipment purchases	(14,781)	10,766	2,110
Purchases of property and equipment under capital lease	31,849	13,138	1,952
Change in unpaid tax related to capital lease	1,521	—	—
Issuance of redeemable convertible preferred stock upon exercise of Series A redeemable convertible preferred stock warrants	—	—	1,220
Issuance of common stock in connection with acquisitions and purchases of intangible assets	1,011	6,108	5,239
Vesting of early exercised stock options and restricted stock	10	127	684
Change in unpaid deferred offering costs	—	(2,172)	417

See notes to consolidated financial statements

BOX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Description of Business and Basis of Presentation

Description of Business

We were incorporated in the state of Washington in April 2005, and were reincorporated in the state of Delaware in March 2008. We changed our name from Box.Net, Inc. to Box, Inc. in November 2011. Box provides a cloud content management platform that enables organizations of all sizes to securely manage cloud content while allowing easy, secure access and sharing of this content from anywhere, on any device.

Basis of Presentation and Principles of Consolidation

The consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and include the consolidated accounts of Box, Inc. and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Prior Period Reclassifications

Certain reclassifications of prior period amounts have been made to conform to the current period presentation.

Initial Public Offering

In January 2015 we completed our initial public offering (IPO) in which we issued and sold 14,375,000 shares of Class A common stock, including 1,875,000 shares to cover an over-allotment option, at a public offering price of \$14.00 per share. We received net proceeds of \$187.2 million after deducting underwriting discounts and commissions of \$14.1 million but before deducting offering costs of \$5.7 million, of which \$2.9 million and \$588,000, respectively, was paid in the years ended January 31, 2015 and 2014, and the remaining \$2.2 million was paid after January 31, 2015. In addition, in connection with our IPO:

- We authorized a new class of Class A common stock and a new class of Class B common stock. All prior periods presented have been updated to reflect the new common stock classes.
- All 17,051,820 shares of our then-outstanding common stock were reclassified into an equivalent number of shares of our Class B common stock.
- All 76,238,097 shares of our then-outstanding redeemable convertible preferred stock other than our Series F redeemable convertible preferred stock were converted and reclassified into an equivalent number of shares of our Class B common stock.
- 7,500,000 shares of our then-outstanding Series F redeemable convertible preferred stock were converted and reclassified into 11,904,759 shares of our Class B common stock. Included in this amount were incremental shares issued in accordance with the contractual conversion rights of our Series F redeemable convertible preferred stock. The additional shares resulted in a beneficial conversion feature, and we recorded a \$2.3 million deemed dividend to Series F redeemable convertible preferred stockholders upon the IPO.
- We issued 85,354 shares of Series A redeemable convertible preferred stock upon the net exercise of our Series A redeemable convertible preferred stock warrant, which occurred immediately prior to the completion of our IPO. These shares were converted and reclassified into an equivalent number of shares of our Class B common stock. As a result, we reclassified our redeemable convertible preferred stock warrant liability balance to additional-paid-in capital upon IPO.
- We reclassified \$5.7 million of deferred issuance costs previously recorded in other long-term assets as an offset to the proceeds from our IPO.

BOX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make, on an ongoing basis, estimates and assumptions that affect the amounts reported and disclosed in the financial statements and the accompanying notes. Actual results could differ from these estimates. Such estimates include, but are not limited to, the determination of the allowance for accounts receivable, fair value of acquired intangible assets and goodwill, useful lives of acquired intangible assets and property and equipment, best estimate of selling price included in multiple-deliverable revenue arrangements, fair values of stock-based awards, legal contingencies, and the provision for income taxes, including related reserves, among others. Management bases its estimates on historical experience and on various other assumptions which management believes to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

In accordance with our property and equipment policy, we review the estimated useful lives of our fixed assets on an ongoing basis. A review of this policy indicated that the actual lives of certain data center assets not acquired under capital leases were longer than previously estimated useful lives used for depreciation purposes in our financial statements. As a result, effective September 1, 2016, we changed the estimated useful lives of certain data center assets not acquired under capital leases to better reflect the estimated periods during which these assets will remain in service. The estimated useful lives of these assets, which we previously depreciated for three years, have now been increased to four years. The effect of this change in estimate in the current period to net loss and earnings per share was not material.

Revenue Recognition

We derive our revenue primarily from three sources: (1) subscription revenue, which is comprised of subscription fees from customers utilizing our cloud content management platform and other subscription-based services, which all include routine customer support; (2) revenue from customers purchasing our premier support package; and (3) revenue from professional services such as implementing best practice use cases, project management and implementation consulting services.

We recognize revenue when all of the following conditions are met:

- there is persuasive evidence of an arrangement;
- the service has been provided to the customer;
- the collection of fees is reasonably assured; and
- the amount of fees to be paid by the customer is fixed or determinable.

We typically invoice our customers at the beginning of the term, in multiyear, annual, quarterly or monthly installments. Our subscription and support contracts are typically non-cancellable and do not contain refund-type provisions. Revenue is presented net of sales and other taxes we collect on behalf of governmental authorities.

In instances where we collect fees in advance of service delivery, revenue under the contract is deferred until we successfully deliver such services.

Subscription revenue is recognized ratably over the period of the subscription beginning once all requirements for revenue recognition have been met, including provisioning the service so that it is available to our customers. Premier support is sold together with the subscription services, and the term of the premier

BOX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

support is generally the same as the related subscription services arrangement. Accordingly, we recognize premier support revenue in the same manner as the associated subscription. Professional services revenue is recognized as the services are rendered for time and material contracts, and using the proportional performance method over the period the services are performed for fixed price contracts.

We assess collectability based on a number of factors, such as past collection history and creditworthiness of the customer. If management determines collectability is not reasonably assured, we defer revenue recognition until collectability becomes reasonably assured.

Our arrangements can include multiple elements which may consist of some or all of subscription services, premier support and professional services. When multiple-element arrangements exist, we evaluate whether these individual deliverables should be accounted for as separate units of accounting or one single unit of accounting.

In order to treat deliverables in a multiple-element arrangement as separate units of accounting, the delivered item or items must have standalone value upon delivery. A delivered item has standalone value to the customer when either (1) any vendor sells that item separately or (2) the customer could resell that item on a standalone basis. Our subscription services have standalone value as such services are often sold separately. Our premier support services do not have standalone value because we and other vendors do not sell premier support services separately. Our professional services have standalone value because there are other vendors which sell the same professional services separately. For new services, we assess standalone value consistently with the foregoing policy. Accordingly, we consider the separate units of accounting in our multiple deliverable arrangements to be the professional services, subscription services or a combined deliverable comprised of subscription services and premier support services. When multiple deliverables included in an arrangement are separable into different units of accounting, the arrangement consideration is allocated to the identified separate units of accounting based on their relative selling price. Multiple-element arrangement accounting guidance provides a hierarchy to use when determining the relative selling price for each unit of accounting. Vendor-specific objective evidence (VSOE) of selling price, based on the price at which the item is regularly sold by the vendor on a standalone basis, should be used if it exists. If VSOE of selling price is not available, third-party evidence (TPE) of selling price is used to establish the selling price if it exists. We have not established VSOE for our subscription services, premier support or professional services due to lack of pricing consistency, the introduction of new services and other factors. We have also concluded that third-party evidence of selling price is not a practical alternative due to differences in our service offerings compared to other parties and the availability of relevant third-party pricing information. Accordingly, we use our best estimate of selling price (BESP) to determine the relative selling price for our subscription, premier support and professional services offerings. For arrangements with multiple deliverables which can be separated into different units of accounting, we allocate the arrangement fee to the separate units of accounting based on our BESP. The amount of arrangement fee allocated is limited by contingent revenue, if any.

We determined BESP by considering our overall pricing objectives and market conditions. Significant pricing practices taken into consideration for our subscription services, which may also include premier support, and professional services, include discounting practices, the size and volume of our transactions, the customer demographic, the geographic area where services are sold, price lists, our go-to-market strategy, historical standalone sales and contract prices. The determination of BESP is made through consultation with and approval by our management, taking into consideration the go-to-market strategy. As our go-to-market strategies evolve, we may modify our pricing practices in the future, which could result in changes in relative selling prices.

BOX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Cost of Revenue

Cost of revenue consists primarily of costs related to providing our subscription services to our paying customers, including employee compensation and related expenses for datacenter operations, customer support and professional services personnel, payments to outside technology service providers, depreciation of servers and related equipment, security services and other tools, as well as amortization of acquired technology. We allocate overhead such as rent, information technology costs and employee benefit costs to all departments based on headcount. As such, general overhead expenses are reflected in cost of revenue and each of the operating expense categories set forth below. We expect our cost of revenue to increase in dollars and may increase as a percentage of revenue as we continue to invest in our datacenter operations and customer support to support the growth of our business, our customer base, as well as our international expansion.

Deferred Commissions

Deferred commissions consist of direct incremental costs paid to our sales force associated with non-cancellable terms of the related contracts. The deferred commission amounts are recoverable through future revenue streams under the non-cancellable customer contracts. Direct sales commissions are deferred when earned and amortized over the same period that revenue is recognized for the related non-cancellable subscription period. Amortization of deferred commissions is included in sales and marketing expense in the consolidated statements of operations.

We deferred sales commissions costs of, \$20.0 million, \$21.7 million and 16.2 million during the years ended January 31, 2017, 2016 and 2015, respectively, and amortized \$18.3 million, \$15.8 million and 12.1 million of deferred commissions during the same periods respectively.

Deferred Revenue

Deferred revenue consists of billings and payments received in advance of revenue recognition generated by our subscription services, premier customer support and professional services described above. For these services, we typically invoice our customers at the beginning of the term, in multiyear, annual, quarterly or monthly installments. Accordingly, the deferred revenue balance does not represent the total contract value of annual or multiyear, non-cancellable subscription contracts.

Certain Risks and Concentrations

Our financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash and accounts receivable. Although we deposit our cash with multiple financial institutions, our deposits, at times, may exceed federally insured limits.

We sell to a broad range of customers. Our revenue is derived substantially from the United States across a multitude of industries. Accounts receivable are derived from the delivery of our services to customers primarily located in the United States. We accept and settle our accounts receivable using credit cards, electronic payments and checks. A majority of our lower dollar value invoices are settled by credit card on or near the date of the invoice. We do not require collateral from customers to secure accounts receivable. We maintain an allowance for accounts receivable based upon the expected collectability, which takes into consideration specific customer creditworthiness and current economic trends. We believe collections of our accounts receivable are reasonably assured based on the size, industry diversification, financial condition and past transaction history of our customers. As of January 31, 2017, two customers accounted for more than 10% of total accounts receivable. As of January 31, 2016, no customer accounted for more than 10% of total accounts receivable. No single customer represented over 10% of revenue in any of the years ended January 31, 2017, 2016 and 2015.

BOX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

We serve our customers and users from datacenter facilities operated by third parties. In order to reduce the risk of down time of our enterprise cloud content services, we have established datacenters and third-party cloud computing and hosting providers in various locations in the United States and abroad. We have internal procedures to restore services in the event of disaster at any one of our current datacenter facilities. Even with these procedures for disaster recovery in place, our cloud services could be significantly interrupted during the implementation of the procedures to restore services.

Geographic Locations

For the years ended January 31, 2017, 2016 and 2015, revenue attributed to the United States was 82%, 82% and 79%, respectively. No other country outside of the United States comprised 10% or greater of our revenue for the years ended January 31, 2017, 2016 and 2015.

Substantially all of our net assets are located in the United States. As of January 31, 2017 and 2016, property and equipment located in the United States was approximately 99.7% and 99.3%, respectively.

Foreign Currency Translation and Transactions

The functional currency of our principal foreign subsidiaries is generally the U.S. dollar. Adjustments resulting from translating foreign functional currency financial statements into U.S. dollars for those entities that do not have U.S. dollars as their functional currency are recorded as part of a separate component of the consolidated statements of comprehensive loss. Foreign currency transaction gains and losses are included in the consolidated statements of operations for the period. All assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the exchange rate on the balance sheet date. Revenue and expenses are translated at the average exchange rate during the period. Equity transactions are translated using historical exchange rates. Translation adjustments at the balance sheet dates were not material. Transaction gains and losses recognized were not material for all periods presented.

Cash and Cash Equivalents

We consider all highly liquid investments with an initial maturity of 90 days or less at the date of purchase to be cash equivalents. We maintain such funds in overnight cash deposits.

Restricted Cash

Restricted cash is comprised of certificates of deposit primarily related to our leases. These restricted cash balances have been excluded from our cash and cash equivalents balance and is classified as restricted cash on our consolidated balance sheets. The amount of restricted cash as of January 31, 2017 and 2016 was \$26.8 million and \$28.0 million, respectively, which was classified as non-current.

Marketable Securities

Our marketable securities consist of short-term, investment-grade corporate debt and asset-backed securities. We classify our marketable securities as available-for-sale at the time of purchase and reevaluate such classification as of each balance sheet date. All marketable securities are recorded at their estimated fair value. Unrealized gains and losses for available-for-sale securities are recorded in other comprehensive income (loss). We evaluate our investments to assess whether those with unrealized loss positions are other than temporarily impaired. We consider impairments to be other than temporary if they are related to deterioration in credit risk or if it is likely we will sell the securities before the recovery of their cost basis. Realized gains and losses and

BOX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

declines in value deemed to be other than temporary are determined based on the specific identification method and are reported in other income (expense), net in the consolidated statements of operations. As of January 31, 2017, we had no marketable securities in our investment portfolio. Gross realized gains and losses on marketable securities were not material for the year ended January 31, 2017 and 2016.

Fair Value of Financial Instruments

Our financial assets and financial liabilities which may include cash equivalents, marketable securities, and restricted cash are measured and recorded at fair value on a recurring basis. We measure certain other assets including our non-marketable equity securities at fair value on a nonrecurring basis when they are deemed to be other-than-temporarily impaired. Our other current financial assets have fair values which approximate their carrying value due to their short-term maturities.

Accounts Receivable and Related Allowance

Accounts receivable are recorded at the invoiced amounts and do not bear interest. We maintain an allowance for estimated losses inherent in our accounts receivable portfolio. We assess the collectability of the accounts by taking into consideration the aging of our trade receivables, historical experience, and management judgment. We write off trade receivables against the allowance when management determines a balance is uncollectible and no longer actively pursues collection of the receivable.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the respective assets, generally two to four years. Leasehold improvements are amortized over the shorter of their estimated useful lives or the remaining lease term. Depreciation commences once the asset is placed in service. Construction in progress is primarily related to the construction or development of property and equipment which have not yet been placed in service for their intended use.

Business Combinations

We allocate the fair value of purchase consideration to the tangible assets acquired, liabilities assumed and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. Significant estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from acquired users, acquired technology, and trade names from a market participant perspective, useful lives and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. During the measurement period, which is one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

Long-Lived Assets, Including Goodwill and Other Acquired Intangible Assets

We evaluate the recoverability of property and equipment and finite-lived intangible assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If such review indicates that the carrying amount of

BOX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

property and equipment and intangible assets is not recoverable, the carrying amount of such assets is reduced to fair value. We have not recorded any significant impairment charge during the years presented.

We review goodwill for impairment at least annually or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable. We have elected to first assess the qualitative factors to determine whether it is more likely than not that the fair value of our single reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. If we determine that it is more likely than not that its fair value is less than its carrying amount, then the two-step goodwill impairment test will be performed. The first step, identifying a potential impairment, compares the fair value of the reporting unit with its carrying amount. If the carrying amount exceeds its fair value, the second step will be performed; otherwise, no further step is required. The second step, measuring the impairment loss, compares the implied fair value of the goodwill with the carrying amount of the goodwill. Any excess of the goodwill carrying amount over the implied fair value is recognized as an impairment loss, and the carrying value of goodwill is written down to fair value. As of January 31, 2017, no impairment of goodwill has been identified.

Acquired finite-lived intangible assets are typically amortized on a straight-line basis over the estimated useful lives of the assets, which is generally two to seven years.

Legal Contingencies

From time to time, we are a party of litigation and subject to claims that arise in the ordinary course of business. We investigate these claims as they arise, and accrue estimates for resolution of legal and other contingencies when losses are probable and estimable. Because the results of litigation and claims cannot be predicted with certainty, we base our loss accruals on the best information available at the time. As additional information becomes available, we reassess our potential liability and may revise our estimates. Such revisions could have a material impact on future quarterly or annual results of operations.

Research and Development Costs

Research and development costs include personnel costs, including stock-based compensation expense, associated with our engineering personnel and consultants responsible for the design, development and testing of the product, depreciation of equipment used in research and development and allocated facilities and information technology costs. Research and development costs are expensed as incurred.

Internal-Use Software Costs

We capitalize costs to develop software for internal use incurred during the application development stage. Costs related to preliminary project activities and post implementation activities are expensed as incurred. Once an application has reached the development stage, management has authorized and committed to the funding of the software project, it is probable the project will be completed and the software will be used to perform the function intended, internal and external costs, if direct and incremental, are capitalized until the application is substantially complete and ready for its intended use. There were no material qualifying costs incurred during the application development stage in any of the periods presented.

Advertising Costs

Advertising costs are expensed as incurred and are included in sales and marketing expense. Advertising costs for the years ended January 31, 2017, 2016 and 2015 were \$28.1 million, \$28.5 million and \$28.6 million, respectively.

BOX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Redeemable Convertible Preferred Stock Warrant Liability

We account for freestanding warrants to purchase shares of our redeemable convertible preferred stock as a liability on the consolidated balance sheets. The redeemable convertible preferred stock warrants are recorded as a liability because the underlying shares of redeemable convertible preferred stock are optionally redeemable and, therefore, may obligate us to transfer assets at some point in the future. The warrants are recorded at fair value upon issuance and are subject to remeasurement to fair value at each balance sheet date, with any change in fair value recognized as a separate line item on the consolidated statements of operations. We recognized a remeasurement gain of \$126,000 for the year ended January 31, 2015. In connection with our IPO, we reclassified the redeemable convertible preferred stock warrant liability to additional paid-in capital (see Note 15). As of January 31, 2017 and 2016, there were no longer any redeemable convertible preferred stock warrants outstanding.

Stock-Based Compensation

We determine the fair value of stock options and purchase rights issued to employees under our 2015 Equity Incentive Plan (2015 Plan) and 2015 Employee Stock Purchase Plan (2015 ESPP), on the date of grant using the Black-Scholes option pricing model, which is impacted by the fair value of our common stock, as well as changes in assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the expected common stock price volatility over the term of the awards, the expected term of the awards, risk-free interest rates and the expected dividend yield. Prior to our IPO in January 2015, the fair value of restricted stock units and restricted stock was determined by the estimated fair value of our common stock at the time of grant. We use the market closing price of our Class A common stock as reported on the New York Stock Exchange for the fair value of restricted stock units and restricted stock granted after our IPO.

We recognize compensation expense for stock options, restricted stock units and restricted stock on a straight-line basis over the period during which an employee is required to provide services in exchange for the award (generally the vesting period of the award). We estimate future forfeitures at the date of grant and revise the estimates, if necessary, in subsequent periods if actual forfeitures differ from those estimates. We recognize compensation expense for our 2015 ESPP on a straight-line basis.

Compensation expense for stock options issued to nonemployees is calculated using the Black-Scholes option pricing model and is recorded over the service performance period. Options subject to vesting are required to be periodically remeasured over their service performance period, which is generally the same as the vesting period.

Income Taxes

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the temporary differences between the financial statement and tax basis of assets and liabilities using the enacted tax rates in effect for the years in which the differences are expected to reverse. The effect on deferred taxes of a change in income tax rates is recognized in the consolidated statements of operations in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts we believe is more likely than not to be realized.

We recognize tax benefits from uncertain tax positions only if we believe that it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement.

BOX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Recently Issued Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2017-04, *Intangibles-Goodwill and Other: Simplifying the Test for Goodwill Impairment*. ASU 2017-04 simplifies the accounting for goodwill impairment by removing Step 2 of the goodwill impairment test. Under current guidance, Step 2 of the goodwill impairment test requires entities to calculate the implied fair value of goodwill in the same manner as the amount of goodwill recognized in a business combination by assigning the fair value of a reporting unit to all of the assets and liabilities of the reporting unit. The carrying value in excess of the implied fair value is recognized as goodwill impairment. Under the new standard, goodwill impairment is recognized based on Step 1 of the current guidance, which calculates the carrying value in excess of the reporting unit’s fair value. The new standard is effective for us beginning February 1, 2020, with early adoption permitted. We do not believe the adoption of ASU 2017-04 will have a material impact on our consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash*. ASU 2016-18 requires entities to show the changes in cash, cash equivalents, and restricted cash in the statement of cash flows. Entities will no longer present transfers between cash and cash equivalents and restricted cash in the statement of cash flows. As of January 31, 2017 and January 31, 2016, we had \$26.8 million and \$28.0 million in restricted cash, respectively. Restricted cash consists of certificates of deposit related to our leases. The new standard is effective for us beginning February 1, 2018, with early adoption permitted. We do not believe the adoption of ASU 2016-18 will have a material impact on our consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payment*. ASU 2016-15 provides guidance on the classification of eight cash flow issues in order to reduce diversity in practice. The new standard is effective for us beginning February 1, 2018 with early adoption permitted. We do not believe the adoption of ASU 2016-15 will have a material impact on our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments- Credit Losses*. ASU 2016-13 replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. For trade receivables, loans, and other financial instruments, we will be required to use a forward-looking expected loss model rather than the incurred loss model for recognizing credit losses which reflects losses that are probable. The new standard is effective for us beginning February 1, 2020 with early adoption permitted. We are currently evaluating the impact of the provisions of this new standard on our consolidated financial statements.

In April 2016, the FASB issued ASU 2016-09, *Compensation- Stock Compensation*. ASU 2016-09 changes the accounting for certain aspects of share-based payments to employees. The new guidance requires excess tax benefits and tax deficiencies to be recorded in the income statement. In addition, cash flows related to excess tax benefits will no longer be separately classified as a financing activity apart from other income tax cash flows. The standard also allows entities to repurchase more of an employee’s shares for tax withholding purposes without triggering liability accounting, clarifies that all cash payments made on an employee’s behalf for withheld shares should be presented as a financing activity on the cash flow statement, and provides an accounting policy election to account for forfeitures as they occur. The new standard is effective for us beginning February 1, 2017 with early adoption permitted. We do not believe the adoption of ASU 2016-09 will have a material impact on our consolidated financial statements.

BOX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires lessees to put most leases on their balance sheet while recognizing expense in a manner similar to existing accounting. The new accounting guidance is effective for our fiscal year beginning February 1, 2019 and early adoption is permitted. We are currently evaluating the impact of the provisions of this new standard on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09 regarding ASC Topic 606, *Revenue from Contracts with Customers*. The standard provides principles for recognizing revenue for the transfer of promised goods or services to customers with the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also provides guidance on the recognition of sales commission costs related to obtaining customer contracts. In addition, the FASB issued subsequent ASUs, which serve to clarify certain aspects of ASU 2014-09. The standard will be effective for us beginning February 1, 2018. The guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (modified retrospective method). We currently anticipate adopting the standard using the modified retrospective method that will result in a cumulative effect adjustment.

We have established a cross-functional coordinated implementation team to implement the standard update related to the recognition of revenue from contracts with customers. We have identified, and are in the process of implementing, appropriate changes to our business processes, systems and controls to support recognition and disclosure under the new standard. Based on our ongoing evaluation, we believe the impacts of this ASU will be related to the capitalization and amortization of sales commissions, the timing of revenue recognition for certain sales contracts, and their respective disclosures. We expect there may be a change to the period over which sales commissions will be amortized to closely align to the period of benefit and a change to the scope of capitalized sales commissions based on the definition of incremental costs of obtaining a contract. In addition, there may be a change in relation to the timing of revenue recognition for certain sales contracts, due to the removal of the current limitation on contingent revenue. These changes are being evaluated to determine the potential impact to our financial statements and disclosures. We continue to assess all potential impacts of this ASU, so our preliminary conclusions may change.

Recently Adopted Accounting Pronouncements in Fiscal Year 2017

In April 2015, the FASB issued ASU 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements—Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting*, in response to ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which requires entities to present debt issuance costs related to a recognized debt liability as a direct deduction from the carrying amount of the debt liability. ASU 2015-03 did not address the presentation or subsequent measurement of debt issuance costs related to line-of-credit arrangements. ASU 2015-15 was issued to confirm that for line-of-credit arrangements, an entity may defer and present debt issuance costs as an asset and subsequently amortize the debt issuance costs ratably over the term of the arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangements. We adopted this standard for the quarter ended April 30, 2016 on a retrospective basis. Our adoption did not have an impact on our consolidated financial statements as we have historically capitalized related debt issuance costs for our line-of-credit arrangements and presented as an asset in our consolidated balance sheet. The amortization of debt issuance costs was not material for any periods presented.

In September 2015, the FASB issued ASU 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments*, which eliminates the requirement to restate prior period financial statements for measurement period adjustments. The standard requires that the cumulative impact of a measurement period adjustment

BOX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified. We adopted this standard for the three months ended April 30, 2016 on a prospective basis. Our adoption did not have an impact on any periods presented.

Note 3. Marketable Securities and Fair Value Measurements

Marketable Securities

We held no marketable securities as of January 31, 2017. The following is a summary of our marketable securities as of January 31, 2016 (in thousands).

	January 31, 2016			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
Corporate debt securities	\$5,560	\$—	\$(1)	\$5,559
Asset-backed securities	1,821	—	(1)	1,820
	\$7,381	\$—	\$(2)	\$7,379

The amortized cost and estimated fair value of our marketable securities as of January 31, 2016 are shown below by contractual maturity (in thousands).

	January 31, 2016	
	Amortized Cost	Estimated Fair Value
Less than one year	\$5,560	\$5,559
Due in one to five years	1,821	1,820
	\$7,381	\$7,379

Fair Value Measurements

We define fair value as the exchange price that would be received from selling an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. We measure our financial assets and liabilities at fair value at each reporting period using a fair value hierarchy which requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Three levels of inputs may be used to measure fair value:

- Level 1—Observable inputs are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs are quoted prices for similar assets and liabilities in active markets or inputs other than quoted prices which are observable for the assets or liabilities, either directly or indirectly through market corroboration, for substantially the full term of the financial instruments.
- Level 3—Unobservable inputs which are supported by little or no market activity and which are significant to the fair value of the assets or liabilities. These inputs are based on our own assumptions used to measure assets and liabilities at fair value and require significant management judgment or estimation.

BOX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

We measure our marketable securities, restricted cash at fair value on a recurring basis. We classify our marketable securities and restricted cash within Level 1 or Level 2 because they are valued using either quoted market prices for identical assets or inputs other than quoted prices which are directly or indirectly observable in the market, including readily-available pricing sources for the identical underlying security which may not be actively traded.

The following tables set forth the fair value of our financial assets and liabilities measured at fair value on a recurring basis as of January 31, 2017 and 2016, using the above input categories (in thousands):

	<u>January 31, 2017</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Restricted cash:				
Certificates of deposit	\$—	\$26,781	\$—	\$26,781
Total assets measured at fair value	<u>\$—</u>	<u>\$26,781</u>	<u>\$—</u>	<u>\$26,781</u>
	<u>January 31, 2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Assets				
Marketable securities:				
Corporate debt securities	\$—	\$ 5,559	\$—	\$ 5,559
Asset-backed securities	—	1,820	—	1,820
Restricted cash:				
Certificates of deposit	—	26,968	—	26,968
Money market funds	984	—	—	984
Total assets measured at fair value	<u>\$984</u>	<u>\$34,347</u>	<u>\$—</u>	<u>\$35,331</u>

Note 4. Balance Sheet Components

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following (in thousands):

	<u>January 31,</u>	
	<u>2017</u>	<u>2016</u>
Prepaid expenses	\$ 9,256	\$ 8,410
Tenant incentives receivable under our headquarters lease in Redwood City	—	3,024
Other current assets	<u>1,570</u>	<u>3,295</u>
Total prepaid expenses and other current assets	<u>\$10,826</u>	<u>\$14,729</u>

BOX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Property and Equipment, Net

Property and equipment, net consisted of the following (in thousands):

	January 31,	
	2017	2016
Servers and related equipment	\$ 143,219	\$111,015
Leasehold improvements	64,379	70,106
Computer hardware and software	11,373	11,009
Furniture and fixtures	12,824	10,461
Construction in progress	5,882	4,808
Total property and equipment	237,677	207,399
Less: accumulated depreciation	(120,501)	(86,907)
Total property and equipment, net	\$ 117,176	\$120,492

As of January 31, 2017, the gross carrying amount of property and equipment includes \$43.2 million of servers and related equipment and \$5.6 million of construction in progress acquired under capital leases, and the accumulated depreciation of property and equipment acquired under these capital leases was \$10.4 million. As of January 31, 2016, the gross carrying amount of property and equipment includes \$13.9 million of servers and related equipment and \$1.2 million of construction in progress acquired under capital leases, and the accumulated depreciation of property and equipment acquired under these capital leases was \$2.4 million.

Depreciation expense related to property and equipment was \$36.8 million, \$34.8 million and \$25.4 million for the years ended January 31, 2017, 2016 and 2015, respectively. Included in these amounts were depreciation expense for servers and related equipment acquired under capital leases in the amount of \$7.9 million, \$2.3 million and \$140,000, for the same periods respectively. Construction in progress primarily consists of servers, networking equipment and storage infrastructure being provisioned in our datacenter facilities as well as leasehold improvements. In addition, the amounts of interest capitalized to property and equipment were \$27,000, \$400,000 and \$311,000 for the years ended January 31, 2017, 2016 and 2015, respectively.

Note 5. Acquisition

Wagon Analytics, Inc.

On August 30, 2016, we entered into an agreement to license certain technology and hire certain employees from Wagon Analytics, Inc., a privately-held data analysis solutions company, for a total purchase price of \$2.0 million. This agreement has been accounted for as a business combination. The entire purchase price was allocated to goodwill. Goodwill is attributable to future growth and potential enhancement opportunities for our analytics platform. Goodwill is deductible for U.S. income tax purposes. Transaction costs related to this business combination were not material.

Results of operations for this acquisition have been included in our consolidated statements of operations since the acquisition dates and were not material. Pro forma results of operations for this acquisition have not been presented because they were also not material to the consolidated results of operations.

BOX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Verold Inc.

On May 4, 2015, for a total purchase price of \$5.4 million (in our common stock), we acquired certain assets of, and hired certain employees from, Verold Inc., a privately-held technology company which has built a cloud-based 3D model viewer and editor. The acquisition has been accounted for as a business combination. Of the \$5.4 million, \$2.8 million was attributed to developed technology and \$2.6 million to goodwill. Developed technology is being amortized on a straight-line basis over an estimated useful life of two years. Goodwill is primarily attributable to the enhancement of the Box user experience and the value of acquired personnel. Goodwill is deductible for U.S. income tax purposes. Transaction costs related to this acquisition were immaterial.

Results of operations for this acquisition have been included in our consolidated statements of operations since the acquisition date and were not material. Pro forma results of operations for this acquisition have not been presented because they were also not material to the consolidated results of operations.

Other Fiscal 2016 Acquisitions

During the year ended January 31, 2016, we purchased and licensed certain assets of two other companies for an aggregate purchase price of \$764,000. We accounted for these transactions as business combinations. In allocating the purchase consideration based on estimated fair values, we recorded \$349,000 of developed technology and \$415,000 of goodwill. Goodwill for these acquisitions is deductible for U.S. income tax purposes. Developed technology is being amortized on a straight-line basis over an estimated useful life of two years. These acquisitions are expected to enhance our Box service by leveraging the acquired companies' technologies, along with gaining access to their key talent. Aggregate transaction costs related to these acquisitions were immaterial.

Results of operations for these acquisitions have been included in our consolidated statements of operations since the acquisition dates and were not material. Pro forma results of operations for these acquisitions have not been presented because they were also not material to the consolidated results of operations.

Fiscal 2015 Acquisitions

During the year ended January 31, 2015, we acquired two companies for an aggregate purchase price of \$5.5 million (in 408,166 shares of our common stock valued at \$5.2 million and cash of \$230,000). We accounted for these transactions as business combinations. In allocating the purchase consideration based on estimated fair values, we recorded \$3.4 million of developed technology, \$3.2 million of goodwill, \$25,000 of net tangible assets, and \$1.1 million of deferred tax liabilities. Goodwill for these acquisitions is not deductible for tax purposes. Developed technology is being amortized on a straight-line basis over an estimated useful life of two years. These acquisitions are expected to enhance our Box service by leveraging the acquired companies' technologies, along with gaining access to their engineering teams.

In addition, upon acquisitions we issued and aggregate of 344,667 shares of our common stock valued at \$4.5 million. We are also obligated to make cash payments of up to an aggregate of \$889,000. Both the common stock and the cash payments are additional consideration which is contingent upon former employees of the acquired companies continuing to be employed by us. We determined that this additional consideration was not part of the purchase price and will be recognized as post-acquisition compensation expense over the related requisite service period. Also, in connection with one of the acquisitions, we agreed to give certain employees of the acquired company bonus awards of cash payments up to an aggregate of \$381,000 and issue up to an aggregate of 155,787 shares of our common stock valued at \$2.0 million. These bonus awards are subject to continued employment with us and will be recognized as post-acquisition compensation expense over the related

BOX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

requisite service period. Aggregate transaction costs related to these acquisitions were approximately \$575,000, which were recorded as general and administrative expense as incurred.

Results of operations for these acquisitions have been included in our consolidated statements of operations since the acquisition dates and were not material. Pro forma results of operations for these acquisitions have not been presented because they were also not material to the consolidated results of operations.

Note 6. Goodwill and Intangible Assets

Goodwill activity is reflected in the following table (in thousands):

Balance as of January 31, 2015	\$11,242
Goodwill acquired—Verold	2,644
Goodwill acquired—Other	415
Balance as of January 31, 2016	14,301
Goodwill acquired—Wagon	1,992
Balance as of January 31, 2017	<u>\$16,293</u>

Intangible assets consisted of the following (in thousands):

	<u>Weighted Average Useful Life(1)</u>	<u>Gross Value</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Value</u>
January 31, 2017				
Developed technology	2.5 years	\$14,273	\$(13,908)	\$ 365
Trade name and other	6.9 years	1,201	(1,023)	178
Intangibles, net		<u>\$15,474</u>	<u>\$(14,931)</u>	<u>\$ 543</u>
January 31, 2016				
Developed technology	2.5 years	\$14,273	\$(10,711)	\$3,562
Trade name and other	6.9 years	1,201	(868)	333
Intangibles, net		<u>\$15,474</u>	<u>\$(11,579)</u>	<u>\$3,895</u>

(1) From the date of acquisition

Intangible amortization expense was \$3.4 million, \$5.6 million and \$3.6 million for the years ended January 31, 2017, 2016 and 2015, respectively. Amortization of acquired technology is included in cost of revenue and amortization for trade names is included in general and administrative expenses in the consolidated statements of operations. As of January 31, 2017, expected amortization expense for intangible assets for each of the next five years and thereafter was as follows (in thousands):

Years ending January 31:	
2018	\$519
2019	23
2020	1
2021	—
2022 and thereafter	—
	<u>\$543</u>

BOX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 7. Commitments and Contingencies

Letters of Credit

As of January 31, 2017 and 2016, we had letters of credit in the amount of \$26.8 million and \$27.0 million, respectively, primarily in connection with our facility leases. Letters of credit in connection with our facility leases are collateralized by certificates of deposit. Refer to Note 8 for additional details.

Leases

We have entered into various non-cancellable operating lease agreements for certain of our offices and datacenters with lease periods expiring between fiscal 2018 and 2029. Certain of these arrangements have free or escalating rent payment provisions and optional renewal clauses. We are also committed to pay a portion of the actual operating expenses under certain of these lease agreements. These operating expenses are not included in the table below.

We also entered into various capital lease arrangements to obtain servers and related equipment for our operations. These agreements are typically for three to four years. The leases are secured by the underlying leased servers and related equipment.

As of January 31, 2017, future minimum lease payments under non-cancellable capital and operating leases are as follows (in thousands):

	Capital Leases	Operating Leases, net of Sublease Income
Years ending January 31:		
2018	\$14,570	\$ 20,668
2019	12,084	23,645
2020	6,587	27,485
2021	3,343	27,327
2022	—	26,383
Thereafter	—	146,457
Total minimum lease payments	\$36,584	\$271,965
Less: amount representing interest	(1,139)	
Present value of minimum lease payments	\$35,445	

In fiscal years 2017 and 2016, we signed subleases for certain floors of our new headquarters and in the fiscal year 2017, we signed a sublease for one floor of our office in San Francisco. These subleases have terms ranging from 19 to 49 months that will expire in fiscal 2018 and 2021. Non-cancellable sublease proceeds for the years ending January 31, 2018, 2019, 2020 and 2021 of \$7.7 million, \$5.8 million, \$1.9 million and \$1.7 million, respectively, are included in the table above.

We recognize rent expense under our operating leases on a straight-line basis. Rent expense totaled \$18.5 million, \$20.9 million and \$5.6 million, net of sublease income of \$6.8 million, \$1.3 million and \$1.8 million for the years ended January 31, 2017, 2016 and 2015, respectively.

BOX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Purchase Obligations

As of January 31, 2017, future payments under non-cancellable contractual purchases, which relate primarily to datacenter operations and sales and marketing activities, are as follows (in thousands):

Years ending January 31:	
2018	\$14,207
2019	16,887
2020	<u>15,000</u>
	<u>\$46,094</u>

Legal Matters

On June 5, 2013, Open Text S.A. (Open Text) filed a lawsuit against us in the U.S. District Court, Eastern District of Virginia, alleging that our core cloud software and Box Edit application infringe 12 patents of Open Text. Open Text sought preliminary and permanent injunctions against infringement, treble damages, and attorneys' fees. This case was subsequently transferred to the U.S. District Court for the Northern District of California.

On September 13, 2013, Open Text filed a motion for preliminary injunction seeking to enjoin us from providing our Box Edit feature to companies with more than 100 users. On April 9, 2014, the California court denied Open Text's motion for preliminary injunction, finding that (1) Open Text failed to meet its burden to show irreparable harm, (2) Open Text failed to show a reasonable likelihood of success on the merits of its case, and (3) we have raised a substantial question as to the validity of the patents asserted during the preliminary injunction proceedings.

On September 19, 2014, in a related action, *Open Text S.A. v. Alfresco Software Ltd., et al.*, Case No. 13-cv-04843-JD, the Court granted the Alfresco Defendants' motion to dismiss with prejudice the asserted claims of the Dialog Patents, finding the asserted claims of the Dialog Patents patent ineligible under 35 U.S.C. § 101. On January 20, 2015, the Court entered an Order granting our motion for judgment on the pleadings as to the asserted patent claims of the Groupware Patents. The Court found that the asserted patent claims of the Groupware Patents are invalid because they claim non-patentable subject matter. As a result of the Court's January 20, 2015 order and other pretrial orders, the lawsuit was narrowed to four total claims across the three remaining File Synchronization Patents accusing the Company's Box Edit feature and Box Android application.

Trial commenced on February 2, 2015. On February 13, 2015, the jury returned a verdict, finding the asserted claims of the File Synchronization patents infringed and were not invalid. The jury awarded damages in favor of Open Text in a lump sum and fully paid-up royalty in the amount of \$4.9 million. The Court found no willful infringement of the asserted claims and foreclosed Open Text's request for a permanent injunction since the jury returned a lump-sum award. On February 19, 2015, Open Text filed a notice of appeal to the United States Court of Appeals for the Federal Circuit from the Court's Order granting our motion for judgment of invalidity of the Groupware Patents. On March 9, 2015, Open Text filed a first amended notice of appeal from additional orders by the Court. On August 19, 2015, following a July 1, 2015 hearing in which portions of the jury's verdict were challenged, the Court entered judgment in favor of Open Text with respect to infringement of the asserted claims of the File Synchronization patents in the amount of approximately \$4.9 million plus pre-judgment interest, and with respect to validity of the asserted claims of the File Synchronization patents. The Court also entered judgment in our favor with respect to invalidity of the asserted claims of the Groupware

BOX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Patents, and no willful infringement with respect to the asserted claims of the File Synchronization patents. We filed a notice of appeal on August 28, 2015, challenging a number of findings in the final judgment entered on August 19, 2015, including the jury's finding that the Synchronization Patents were infringed and not invalid.

While we continued to defend the lawsuit vigorously and continued to believe we have valid defense to Open Text's claims, we considered the issuance of the verdict a recognized subsequent event that provided additional evidence about conditions existed as of January 31, 2015. Accordingly, we accrued \$4.9 million of settlement payment as of January 31, 2015, and recorded an expense in the amount of \$3.9 million for the year ended January 31, 2015, in relation to the portion of the settlement amount attributable to prior periods. The portion of the settlement amount attributable to future periods is recorded as an asset as of January 31, 2015. This asset was being amortized over an estimated useful life of 14 months, and the amortization expense was \$855,000 for the year ended January 31, 2016. In addition, as a result of the July 1, 2015 hearing, we deemed the claim for interest on the legal verdict amount to be probable and estimable for the first time. As such, we accrued additional expenses in the aggregate amount of \$659,000 during the year ended January 31, 2016, in relation to the interest on the legal verdict amount.

On March 31, 2016, Open Text and the Company entered into a Confidential Settlement and Release Agreement (the "Settlement Agreement"), which fully settled the lawsuit and resulted in a full dismissal of the case against the Company. In connection with such settlement, the Company paid an amount equal to \$3.75 million in total to Open Text, and the Company's obligation to pay the jury award amount of approximately \$4.9 million and all pre- and post-judgment interest was terminated. The parties agreed to drop all appeals pending in connection with the litigation and each agreed to certain standard mutual releases related to the subject matter of the suit. The settlement has no impact on the Groupware Patent and Dialog Patent claims that were found to be invalid by the Court during the litigation against the Company and against Alfresco Software. We recorded the settlement payment of \$3.75 million, reversed previous settlement accruals and interest of \$5.6 million, and recorded \$0.1 million in recurring amortization for the asset, resulting in net income of \$1.7 million in our consolidated statement of operations for the year ended January 31, 2017.

In addition to the litigation discussed above, from time to time, we are a party to litigation and subject to claims that arise in the ordinary course of business. We investigate these claims as they arise, and accrue estimates for resolution of legal and other contingencies when losses are probable and estimable. Although the results of litigation and claims cannot be predicted with certainty, we believe there was not at least a reasonable possibility that we had incurred a material loss with respect to such loss contingencies as of January 31, 2017.

Indemnification

We include service level commitments to our customers warranting certain levels of uptime reliability and performance and permitting those customers to receive credits in the event that we fail to meet those levels. In addition, our customer contracts often include (i) specific obligations that we maintain the availability of the customer's data through our service and that we secure customer content against unauthorized access or loss, and (ii) indemnity provisions whereby we indemnify our customers for third-party claims asserted against them that result from our failure to maintain the availability of their content or securing the same from unauthorized access or loss. To date, we have not incurred any material costs as a result of such commitments.

Our arrangements generally include certain provisions for indemnifying customers against liabilities if our products or services infringe a third party's intellectual property rights. It is not possible to determine the maximum potential amount under these indemnification obligations due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. To date,

BOX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

we have not incurred any material costs as a result of such obligations and have not accrued any liabilities related to such obligations in the consolidated financial statements. In addition, we indemnify our officers, directors and certain key employees while they are serving in good faith in their respective capacities. To date, there have been no claims under any indemnification provisions.

Note 8. Debt

Line of Credit

In August 2013, we entered into a two-year \$100.0 million secured revolving credit facility (August 2013 Facility). The August 2013 Facility is denominated in U.S. dollars and, depending on certain conditions, each borrowing is subject to a floating interest rate equal to the London Interbank Offer Rate (LIBOR) plus 3.0% or the Alternate Base Rate (ABR) plus 2.0%. In addition, there is a commitment fee of 0.5% on outstanding unused commitment amount. At closing, we drew \$34.0 million at 3.4% (six month LIBOR plus 3.0%) which we used to repay the outstanding loans and the related early payoff and end of term fees, as well as for other general corporate purposes. In July 2014, we drew an additional \$12.0 million under the credit facility at 3.3% (six month LIBOR plus 3.0%). In September 2014, we paid down \$6.0 million and amended the credit facility to reduce our borrowing capacity from \$100.0 million to \$75.0 million and extend the facility through August 2016. Concurrently and in conjunction with the execution of our new headquarters lease in September 2014, letters of credit in the aggregate amount of \$25.0 million were issued under the credit facility. These letters of credit reduce our total borrowing capacity under the credit facility and are subject to interest at 3.25% per annum. As of January 31, 2015, the outstanding borrowings under the credit facility were \$40.0 million, and our remaining borrowing capacity under the credit facility was \$10.0 million.

In March 2015, we amended the August 2013 Facility to reduce our borrowing capacity to \$60.0 million as of April 2015, and to increase certain limitations on the amount of capital asset and real estate related obligations we may incur. In connection with this amendment, the letters of credit under the August 2013 Facility were cancelled, and a new letter of credit in the amount of \$25.0 million was issued by a party not affiliated with the August 2013 Facility, which was secured by a certificate of deposit in the same amount. Borrowings under the August 2013 Facility were collateralized by substantially all of our assets. The August 2013 Facility also contained various covenants, including covenants related to the delivery of financial and other information, the maintenance of quarterly financial covenants, material adverse effects, as well as limitations on dispositions, mergers or consolidations and other corporate activities.

In December 2015, we paid in full all amounts outstanding under the August 2013 Facility, including the outstanding principal balance of \$40.0 million, and terminated the August 2013 Facility and all related loan documents and collateral documents, in conjunction with entering into a new revolving credit facility with a different lender (December 2015 Facility). The December 2015 Facility provides for a revolving loan facility in the amount of up to \$40.0 million maturing in December 2017.

The December 2015 Facility is denominated in U.S. dollars and, depending on certain conditions, each borrowing is subject to a floating interest rate equal to either the prime rate plus a spread of 0.25% to 2.75% or a reserve adjusted LIBOR rate (based on one, three or six-month interest periods) plus a spread of 1.25% to 3.75%. Although no minimum deposit is required for the December 2015 Facility, we are eligible for the lowest interest rate if we maintain at least \$40.0 million in deposits with the lender. In addition, there is an annual fee of 0.2% on the total commitment amount. At closing, we drew \$40.0 million at 1.82% (six month LIBOR plus 1.25%) which we used to repay the outstanding principal balance under the August 2013 Facility. Borrowings under the December 2015 Facility are collateralized by substantially all of our assets in the United States. It also contains various covenants, including covenants related to the delivery of financial and other information, the

BOX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

maintenance of quarterly financial covenants, as well as customary limitations on dispositions, mergers or consolidations and other corporate activities. As of January 31, 2017, we were in compliance with all financial covenants. In February 2017, we amended the December 2015 Facility to extend the maturity date to December 2018.

In connection with the above credit facilities, we incurred interest expense, net of capitalized interest costs, of \$0.9 million, \$1.9 million and \$2.5 million during the years ended January 31, 2017, 2016 and 2015, respectively. During the same periods, we capitalized \$27,000, \$400,000 and \$311,000 of interest costs. Interest expense also includes amortization of issuance costs, unused commitment fees and fees on letters of credit which are recognized over the related term of the borrowing.

Note 9. Common Stock and Stockholders' Equity (Deficit)

Amended and Restated Certificate of Incorporation

Our amended and restated certificate of incorporation became effective upon completion of our IPO in January 2015. Our amended and restated certificate of incorporation:

- increased the number of authorized shares of capital stock to 1,300,000,000 shares, \$0.0001 par value per share, of which 1,000,000,000 shares are designated as Class A common stock, 200,000,000 shares as designated as Class B common stock; and 100,000,000 shares are designated as preferred stock;
- established that, on any matter that is submitted to a vote of the stockholders, the holder of each share of Class A common stock is entitled to 1 vote per share, while the holder of each share of Class B common stock is entitled to 10 votes per share;
- established that, except with respect to voting, as discussed above, the rights of the holders of Class A and Class B common stock are identical; and
- established that shares of our Class B common stock are voluntarily convertible into shares of our Class A common stock at the option of the holder and generally automatically convertible into shares of our Class A common stock upon transfer.

Our Class A and Class B common stock are referred to as common stock throughout the notes to these financial statements, unless otherwise noted.

As of January 31, 2017 and 2016, we held an aggregate of 3,052,953 shares of common stock as treasury stock.

Note 10. Stock-Based Compensation

2015 Equity Incentive Plan

In January 2015, our board of directors adopted the 2015 Equity Incentive Plan (2015 Plan), which became effective prior to the completion of our IPO. A total of 12,200,000 shares of Class A common stock was initially reserved for issuance pursuant to future awards under the 2015 Plan. On the first day of each fiscal year, shares available for issuance are increased based on the provisions of the 2015 Plan. Any shares subject to outstanding awards under our 2006 Equity Incentive Plan (2006 Plan) or 2011 Equity Incentive Plan (2011 Plan) that are cancelled or repurchased subsequent to the 2015 Plan's effective date are returned to the pool of shares reserved for issuance under the 2015 Plan. Awards granted under the 2015 Plan may be (i) incentive stock options, (ii) nonstatutory stock options, (iii) restricted stock units, (iv) restricted stock awards or (v) stock appreciation

BOX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

rights, as determined by our board of directors at the time of grant. Options and restricted stock units generally vest 25% one year from the vesting commencement date and (a) in the case of options, 1/48th per month thereafter, and (b) in the case of restricted stock units, 1/16th per quarter thereafter. As of January 31, 2017, 14,782,770 shares were reserved for future issuance under the 2015 Plan.

2015 Employee Stock Purchase Plan

In January 2015, our board of directors adopted the 2015 Employee Stock Purchase Plan (2015 ESPP), which became effective prior to the completion of our IPO. A total of 2,500,000 shares of Class A common stock was initially reserved for issuance under our 2015 ESPP. On the first day of each fiscal year, shares available for issuance are increased based on the provisions of the 2015 ESPP. The 2015 ESPP allows eligible employees to purchase shares of our Class A common stock at a discount of up to 15% through payroll deductions of their eligible compensation, subject to any plan limitations. Except for the initial offering period, the 2015 ESPP provides for 24-month offering periods beginning March 16 and September 16 of each year, and each offering period will consist of four six-month purchase periods.

On each purchase date, eligible employees will purchase our stock at a price per share equal to 85% of the lesser of (1) the fair market value of our stock on the offering date or (2) the fair market value of our stock on the purchase date. In the event the price is lower on the last day of any purchase price period, in addition to using that price as the basis for that purchase period, the offering period resets and the new lower price becomes the new offering price for a new 24 month offering period. As of January 31, 2017, 2,495,182 shares were reserved for future issuance under the 2015 ESPP.

Stock Options

The following table summarizes the stock option activity under the equity incentive plans and related information:

	<u>Shares Subject to Options Outstanding</u>		<u>Weighted-Average Remaining Contractual Life (Years)</u>	<u>Aggregate Intrinsic Value (in thousands)</u>
	<u>Shares</u>	<u>Weighted- Average Exercise Price</u>		
Balance as of January 31, 2015	17,465,571	\$ 5.67	7.80	\$229,713
Options granted	1,898,700	15.62		
Option exercised	(2,196,516)	3.26		
Options forfeited/cancelled	(1,533,237)	8.67		
Balance as of January 31, 2016	<u>15,634,518</u>	\$ 6.92	7.12	\$ 82,541
Options granted	1,018,136	13.88		
Option exercised	(2,908,077)	3.81		
Options forfeited/cancelled	(1,425,777)	13.68		
Balance as of January 31, 2017	<u>12,318,800</u>	\$ 7.44	6.42	\$119,606
Vested and expected to vest as of				
January 31, 2017	<u>12,193,438</u>	\$ 7.39	6.40	\$119,076
Exercisable as of January 31, 2017	<u>9,223,709</u>	\$ 5.59	5.83	\$106,518

BOX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The aggregate intrinsic value of options vested and expected to vest as of January 31, 2017 is calculated based on the difference between the exercise price and the current fair value of our common stock. The aggregate intrinsic value of exercised options for the years ended January 31, 2017, 2016 and 2015 was \$26.9 million, \$24.8 million and \$27.5 million, respectively. The aggregate estimated fair value of stock options granted to employees that vested during the years ended January 31, 2017, 2016 and 2015 was \$15.2 million, \$16.7 million and \$16.4 million, respectively. The weighted-average grant date fair value of options granted to employees during the years ended January 31, 2017, 2016 and 2015 was \$5.77, \$6.72 and \$7.46 per share, respectively.

As of January 31, 2017, there was \$16.1 million of unrecognized stock-based compensation expense related to outstanding stock options granted to employees that is expected to be recognized over a weighted-average period of 2.33 years.

Restricted Stock Units

The following table summarizes the restricted stock unit activity under the equity incentive plans and related information:

	<u>Number of Restricted Stock Units Outstanding</u>	<u>Weighted- Average Grant Date Fair Value</u>
Unvested balance—January 31, 2015	4,939,709	\$15.66
Granted	6,052,788	15.69
Vested, net of shares withheld for employee payroll taxes	(982,140)	16.12
Forfeited/cancelled, including shares withheld for employee payroll taxes	<u>(1,805,389)</u>	16.07
Unvested balance—January 31, 2016	<u>8,204,968</u>	\$15.54
Granted	9,078,555	14.15
Vested, net of shares withheld for employee payroll taxes	(1,994,363)	15.33
Forfeited/cancelled, including shares withheld for employee payroll taxes	<u>(3,466,844)</u>	14.97
Unvested balance—January 31, 2017	<u><u>11,822,316</u></u>	\$14.67

As of January 31, 2017, there was \$153.3 million of unrecognized stock-based compensation expense related to outstanding restricted stock units granted to employees that is expected to be recognized over a weighted-average period of 2.74 years.

BOX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Restricted Stock Awards

The following table summarizes the restricted stock awards activity under the equity incentive plans and related information:

	<u>Number of Restricted Stock Outstanding</u>	<u>Weighted- Average Grant Date Fair Value</u>
Unvested balance—January 31, 2015	172,661	\$ 9.60
Granted	28,864	17.54
Vested, net of shares withheld for employee payroll taxes	(102,619)	11.79
Forfeited/cancelled, including shares withheld for employee payroll taxes	<u>(68,299)</u>	8.87
Unvested balance—January 31, 2016	<u>30,607</u>	\$11.38
Vested, net of shares withheld for employee payroll taxes	(21,982)	11.46
Forfeited/cancelled, including shares withheld for employee payroll taxes	<u>(2,783)</u>	9.77
Unvested balance—January 31, 2017	<u>5,842</u>	\$11.86

As of January 31, 2017, unrecognized stock-based compensation expense related to outstanding restricted stock awards granted to employees that is expected to be recognized over a weighted-average period of 0.30 year was immaterial.

In addition, in connection with our fiscal 2015 acquisitions, we issued 344,667 shares of restricted stock awards with a weighted-average grant date fair value of \$12.96 per share. These restricted stock awards were separately authorized by our board of directors, and did not reduce the number of shares available for future issuance under our equity incentive plans.

As of January 31, 2017, there was \$0.8 million of unrecognized stock-based compensation expense related to outstanding restricted stock awards granted outside of the equity incentive plans that is expected to be recognized over a weighted-average period of 0.71 year. In addition, there were 145,737 unvested shares as of January 31, 2017.

As of January 31, 2017, there was \$0.2 million of unrecognized stock-based compensation related to 21,608 shares of contingently issuable common stock for certain bonus awards given in connection with our fiscal 2016 and 2015 acquisitions that is expected to be recognized over a weighted-average period of 0.42 year.

2015 ESPP and Other

As of January 31, 2017, there was \$8.4 million of unrecognized stock-based compensation expense related to our 2015 ESPP that is expected to be recognized over the remaining term of the respective offering periods.

BOX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Stock-Based Compensation

The following table summarizes the components of stock-based compensation expense recognized in the consolidated statements of operations (in thousands):

	Year Ended January 31,		
	2017	2016	2015
Cost of revenue	\$ 7,882	\$ 4,664	\$ 1,492
Research and development	30,796	24,696	11,767
Sales and marketing	26,142	19,530	11,616
General and administrative	13,552	10,614	7,054
Total stock-based compensation	<u>\$78,372</u>	<u>\$59,504</u>	<u>\$31,929</u>

Determination of Fair Value

We estimated the fair value of employee stock options and 2015 ESPP purchase rights using a Black-Scholes option pricing model with the following assumptions:

	Year Ended January 31,		
	2017	2016	2015
Employee Stock Options			
Expected term (in years)	5.5 – 6.0	5.5 – 6.1	5.7 – 6.2
Risk-free interest rate	1.3% – 2.0%	1.5% – 1.9%	1.8% – 2.1%
Volatility	40% – 43%	42% – 44%	45% – 49%
Dividend yield	0%	0%	0%
Employee Stock Purchase Plan			
Expected term (in years)	0.5 – 2.0	0.5 – 2.0	0.6 – 2.1
Risk-free interest rate	0.5% – 0.9%	0.2% – 0.8%	0.1% – 0.6%
Volatility	39% – 60%	33% – 41%	37% – 41%
Dividend yield	0%	0%	0%

The assumptions used in the Black-Scholes option pricing model were determined as follows:

Fair Value of Common Stock. Prior to our IPO in January 2015, our board of directors considered numerous objective and subjective factors to determine the fair value of our common stock at each grant date. These factors included, but were not limited to, (i) contemporaneous valuations of common stock performed by unrelated third-party specialists; (ii) the prices for our redeemable convertible preferred stock sold to outside investors; (iii) the rights, preferences and privileges of our redeemable convertible preferred stock relative to our common stock; (iv) the lack of marketability of our common stock; (v) developments in the business; and (vi) the likelihood of achieving a liquidity event, such as an IPO or a merger or acquisition of Box, given prevailing market conditions.

Subsequent to the completion of our IPO, we use the market closing price for our Class A common stock as reported on the New York Stock Exchange.

Expected Term. The expected term represents the period that our share-based awards are expected to be outstanding. The expected term assumptions were determined based on the vesting terms, exercise terms and contractual lives of the options and ESPP purchase rights.

BOX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Expected Volatility. Since we do not have sufficient trading history of our common stock, the expected volatility was derived from the historical stock volatilities of several unrelated public companies within the same industry that we consider to be comparable to our business over a period equivalent to the expected term of the stock option grants and ESPP purchase rights.

Risk-free Interest Rate. The risk-free rate that we use is based on U.S. Treasury zero-coupon issues with remaining terms similar to the expected term on the options.

Dividend Yield. We have never declared or paid any cash dividends and do not plan to pay cash dividends in the foreseeable future, and, therefore, use an expected dividend yield of zero.

Note 11. Net Loss per Share

We calculate our basic and diluted net loss per share in conformity with the two-class method required for companies with participating securities. Under the two-class method, basic net loss per share is calculated by dividing the net loss by the weighted-average number of shares of common stock outstanding for the period, less shares subject to repurchase. The diluted net loss per share is computed by giving effect to all potential dilutive common stock equivalents outstanding for the period. For purposes of this calculation, options to purchase common stock, restricted stock units, shares issuable pursuant to our employee stock purchase plan, shares subject to repurchase from early exercised options and unvested restricted stock, and contingently issuable shares are considered common stock equivalents but have been excluded from the calculation of diluted net loss per share as their effect is antidilutive.

The rights, including the liquidation and dividend rights, of the holders of our Class A and Class B common stock are identical, except with respect to voting and conversion. As the liquidation and dividend rights are identical, the undistributed earnings are allocated on a proportionate basis and the resulting net loss per share will, therefore, be the same for both Class A and Class B common stock on an individual or combined basis. We did not present dilutive net loss per share on an as-if converted basis because the impact was not dilutive.

The following table sets forth the computation of basic and diluted net loss per share (in thousands, except per share amounts):

	Year Ended January 31,					
	2017		2016		2015	
	Class A	Class B	Class A	Class B	Class A	Class B
Numerator:						
Net loss	\$(64,771)	\$(87,016)	\$(49,448)	\$(153,500)	\$(1,677)	\$(166,550)
Add: accretion of redeemable convertible preferred stock	—	—	—	—	(115)	(11,388)
Add: deemed dividend on the conversion of Series F redeemable convertible preferred stock	—	—	—	—	(23)	(2,239)
Net loss attributable to common stockholders	<u>\$(64,771)</u>	<u>\$(87,016)</u>	<u>\$(49,448)</u>	<u>\$(153,500)</u>	<u>\$(1,815)</u>	<u>\$(180,177)</u>
Denominator:						
Weighted-average number of shares outstanding—basic and diluted	<u>54,394</u>	<u>73,075</u>	<u>29,540</u>	<u>91,700</u>	<u>158</u>	<u>15,696</u>
Net loss per share attributable to common stockholders—basic and diluted	<u>\$ (1.19)</u>	<u>\$ (1.19)</u>	<u>\$ (1.67)</u>	<u>\$ (1.67)</u>	<u>\$(11.48)*</u>	<u>\$ (11.48)</u>

* Amounts cannot be recalculated due to rounding

BOX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following weighted-average outstanding shares of common stock equivalents were excluded from the computation of diluted net loss per share for the periods presented because the impact of including them would have been antidilutive (in thousands):

	Year Ended January 31,		
	2017	2016	2015
Redeemable convertible preferred stock	—	—	79,519
Options to purchase common stock	13,550	16,654	18,146
Restricted stock units	10,121	7,233	2,994
Employee stock purchase plan	2,090	3,944	—
Warrants to purchase redeemable convertible preferred stock	—	—	86
Shares subject to repurchase from early-exercised options and unvested restricted stock	324	551	623
Contingently issuable common stock	77	115	91
	<u>26,162</u>	<u>28,497</u>	<u>101,459</u>

Note 12. Income Taxes

The components of loss before provision (benefit) for income taxes were as follows (in thousands):

	Year Ended January 31,		
	2017	2016	2015
United States	\$(115,640)	\$(155,794)	\$(132,084)
Foreign	(35,233)	(46,464)	(36,712)
Total	<u>\$(150,873)</u>	<u>\$(202,258)</u>	<u>\$(168,796)</u>

The components of the provision (benefit) for income taxes were as follows (in thousands):

	Year Ended January 31,		
	2017	2016	2015
Current:			
Federal	\$ 26	\$ 29	\$ 25
State	122	146	135
Foreign	770	298	670
Total	<u>\$ 918</u>	<u>\$473</u>	<u>\$ 830</u>
Deferred:			
Federal	\$ 96	\$ 61	\$(1,009)
State	—	—	(109)
Foreign	(100)	156	(281)
Total	<u>\$ (4)</u>	<u>\$217</u>	<u>\$(1,399)</u>
Provision (benefit) for income taxes	<u>\$ 914</u>	<u>\$690</u>	<u>\$ (569)</u>

BOX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The items accounting for the difference between income taxes computed at the federal statutory income tax rate of 34% and the provision for income taxes consisted of the following (in thousands):

	Year Ended January 31,		
	2017	2016	2015
Tax benefit at federal statutory rate	\$(51,297)	\$(68,767)	\$(57,391)
State taxes, net of federal benefit	(7,778)	(8,799)	(5,322)
Foreign rate difference	7,363	6,744	4,043
Nondeductible expenses	594	429	451
Research and development credit	(3,607)	(3,533)	(2,396)
Stock-based compensation	6,451	6,214	4,703
Change in reserve for unrecognized tax benefits	3,634	3,562	2,421
Other	97	61	709
Change in valuation allowance	45,457	64,779	52,213
Provision for income taxes	\$ 914	\$ 690	\$ (569)

The significant components of our deferred tax assets and liabilities were as follows (in thousands):

	January 31,	
	2017	2016
Deferred tax assets:		
Net operating loss carryforward	\$ 227,023	\$ 184,301
Accruals and reserves	23,960	26,412
Stock-based compensation	13,304	11,627
Depreciation and amortization	7,513	6,217
Tax credit carryover	4,002	4,002
Acquired intangible assets	811	—
Total deferred tax assets	276,613	232,559
Valuation allowance	(276,392)	(232,211)
Total deferred tax assets, net of valuation allowance	221	348
Deferred tax liabilities:		
Acquired intangible assets	—	(223)
Goodwill with indefinite life amortization	(157)	(61)
Total deferred tax liabilities	(157)	(284)
Net deferred tax assets	\$ 64	\$ 64

In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. As a result, we have established a full valuation allowance against our U.S. and United Kingdom deferred tax assets to the extent they are not offset by liabilities from uncertain tax positions based on our history of losses. The valuation allowance increased by \$44.2 million and \$64.8 million, respectively, during the years ended January 31, 2017 and 2016. During the years ended January 31, 2017 and 2016, no valuation allowance was released.

As of January 31, 2017, we had federal, state and foreign net operating loss carryforwards of \$518.0 million, \$498.6 million and \$164.8 million, respectively, available to offset future taxable income. The federal net operating loss carryforwards will expire at various dates beginning in 2025, if not utilized. The state net

BOX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

operating loss carryforwards will expire at various dates beginning in 2028, if not utilized. The foreign net operating loss carryforwards do not expire. In addition, as of January 31, 2017, we had federal and state research and development tax credit carryforwards of \$14.3 million and \$15.9 million, respectively. The federal research and development tax credit carryforwards will expire beginning in 2025 if not utilized. The state research and development tax credit carryforwards do not expire.

Included in the net operating loss and research and development tax credit carryforwards are approximately \$25.2 million of excess tax benefits from employee stock option exercises, for which the Company has not recorded a deferred tax asset. When such excess tax benefits are ultimately realized, the tax effect of \$25.2 million will be recorded to additional paid in capital. This amount will be included in the overall adoption of ASU 2016-09, as described in Note 2.

Utilization of the net operating loss carryforwards and credits may be subject to substantial annual limitation due to the ownership change limitations provided by Section 382 of the Internal Revenue Code of 1986, as amended, and similar state provisions. The annual limitation may result in the expiration of net operating losses and credits before utilization.

We evaluate tax positions for recognition using a more-likely-than-not recognition threshold, and those tax positions eligible for recognition are measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon the effective settlement with a taxing authority that has full knowledge of all relevant information.

A reconciliation of the gross unrecognized tax benefits is as follows (in thousands):

	Year Ended January 31,		
	2017	2016	2015
Unrecognized tax benefits—beginning of period	\$20,656	\$13,607	\$ 8,147
Additions for tax positions related to prior year	447	238	43
Reductions for tax positions related to prior year . . .	—	—	(19)
Additions for tax positions related to current year . . .	7,541	6,811	5,436
Unrecognized tax benefits—end of period	\$28,644	\$20,656	\$13,607

The gross unrecognized tax benefits, if recognized, would not materially affect the effective tax rate as of January 31, 2017, 2016 and 2015. It is reasonably possible that a reduction of up to \$0.3 million of existing unrecognized tax benefits could occur in the next 12 months.

Our policy is to classify interest and penalties associated with uncertain tax positions, if any, as a component of our income tax provision. Interest and penalties were not significant during the years ended January 31, 2017, 2016 and 2015.

We file tax returns in the United States for federal, California, and other states. All tax years remain open to examination for both federal and state purposes as a result of the net operating loss and credit carryforwards. We file foreign tax returns in the United Kingdom starting with the year ended January 31, 2013, in France, Germany, and Japan starting with the year ended January 31, 2014, in Canada starting with the year ended January 31, 2015 and in Australia and Sweden starting with the year ended January 31, 2016. These tax years remain open to examination.

BOX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 13. Segments

Our chief operating decision maker reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. As such, we have a single reporting segment and operating unit structure. Since we operate in one operating segment, all required segment information can be found in the consolidated financial statements.

Note 14. 401(k) Plan

We have a 401(k) Savings Plan (the 401(k) Plan) which qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code. Under the 401(k) Plan, participating employees may elect to contribute up to 100% of their eligible compensation, subject to certain limitations. We have not made any matching contributions to date.

Note 15. Redeemable Convertible Preferred Stock and Warrants

Redeemable Convertible Preferred Stock

Upon the completion of our IPO in January 2015, our previously authorized and outstanding redeemable convertible preferred stock was converted and reclassified into 88,228,210 shares of Class B common stock, which includes 85,354 shares of Class B common stock issued in connection with the net exercise of our Series A redeemable convertible preferred stock warrant discussed below, and 4,404,759 incremental shares of Class B common stock issued to holders of our Series F redeemable convertible preferred stock in accordance with their contractual conversion rights which stated that if we consummated an initial public offering on or prior to July 7, 2015, each share of Series F redeemable convertible preferred stock would convert into shares of Class B common stock equal to lesser of (i) \$20.00 divided by the lesser of 90% of the price per share of Class A common stock sold in the initial public offering or (ii) \$20.00. The additional shares resulted in a beneficial conversion feature, and we recognized a \$2.3 million deemed dividend to Series F redeemable convertible preferred stockholders upon the completion of our IPO.

Accretion of Redeemable Convertible Preferred Stock

Prior to the completion of our IPO in January 2015, stock issuance costs incurred related to our redeemable convertible preferred stock were accreted using the effective interest method via a charge to additional paid in capital over the period from the issuance date to the date at which the redeemable convertible preferred stock would have become redeemable at the option of the holders. Additionally, in the event of any liquidation, dissolution, or winding up of Box, Inc., whether voluntary or involuntary, the holders of our Series F redeemable convertible preferred stock were entitled to receive an amount equal to \$20.00 plus an additional amount equal to \$3.00 per year accruing quarterly and any accrued or declared but unpaid dividends. As a result, we were required to accrete the carrying value of our Series F redeemable convertible preferred stock to its redemption value over the period from issuance through the earlier of (i) the redemption date or (ii) the last quarterly anniversary of issuance occurring prior to the completion of an IPO.

We recorded redeemable convertible preferred stock accretion of \$11.5 million during the year ended January 31, 2015.

Redeemable Convertible Preferred Stock Warrants

Until immediately prior to the completion of our IPO in January 2015, there were 87,140 Series A redeemable convertible preferred stock warrants outstanding with an exercise price per share of \$0.29. The fair

BOX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

value of these warrants was \$1.2 million as of our IPO in January 2015. We issued 85,354 shares of Series A redeemable convertible preferred stock upon the net exercise of our Series A redeemable convertible preferred stock warrant, which occurred immediately prior to the completion of our IPO. These shares were converted and reclassified into an equivalent number of shares of our Class B common stock upon the completion of our IPO. As a result, we reclassified our redeemable convertible preferred stock warrant liability balance to additional-paid-in capital upon the completion of our IPO.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended January 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our management conducted an assessment of the effectiveness of our internal control over financial reporting based on the criteria established in “Internal Control—Integrated Framework” (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that assessment, our management has concluded that our internal control over financial reporting was effective as of January 31, 2017. The effectiveness of the Company’s internal control over financial reporting as of January 31, 2017 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Item 9B. OTHER INFORMATION

Not applicable.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item will be contained in our definitive proxy statement to be filed with the Securities and Exchange Commission in connection with our 2017 annual meeting of stockholders (the Proxy Statement), which is expected to be filed not later than 120 days after the end of our fiscal year ended January 31, 2017, and is incorporated in this report by reference.

Our board of directors has adopted a Code of Business Conduct and Ethics that applies to all of our employees, officers and directors, including our Chief Executive Officer, Chief Financial Officer, and other executive and senior financial officers. The full text of our Corporate Governance Guidelines and our Code of Business Conduct and Ethics is posted on the Corporate Governance portion of our website at <http://www.boxinvestorrelations.com/>. We will post amendments to our Code of Business Conduct and Ethics or waivers of our Code of Business Conduct and Ethics for directors and executive officers on the same website.

Item 11. EXECUTIVE COMPENSATION

The information required by this item will be set forth in the Proxy Statement and is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item will be set forth in the Proxy Statement and is incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item will be set forth in the Proxy Statement and is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item will be set forth in the Proxy Statement and is incorporated herein by reference.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as a part of this Annual Report on Form 10-K:

(1) Consolidated Financial Statements:

Our Consolidated Financial Statements are listed in the “Index to Consolidated Financial Statements” under Part II, Item 8 of this Annual Report on Form 10-K.

(2) Financial Statement Schedules:

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes herein.

(3) Exhibits

The documents listed in the Exhibit Index of this Annual Report on Form 10-K are incorporated by reference or are filed with this Annual Report on Form 10-K, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

Item 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this annual report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 24, 2017

BOX, INC.

By: /s/ Aaron Levie

Aaron Levie
Chairman and Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Aaron Levie, Dylan Smith, Dan Levin and Peter McGoff, and each of them, as his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Aaron Levie</u> Aaron Levie	Chairman and Chief Executive Officer (Principal Executive Officer)	March 24, 2017
<u>/s/ Dylan Smith</u> Dylan Smith	Chief Financial Officer and Director (Principal Financial Officer)	March 24, 2017
<u>/s/ Jeff Mannie</u> Jeff Mannie	Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)	March 24, 2017
<u>/s/ Dana Evan</u> Dana Evan	Director	March 24, 2017
<u>/s/ Steven Krausz</u> Steven Krausz	Director	March 24, 2017
<u>/s/ Dan Levin</u> Dan Levin	President, Chief Operating Officer and Director	March 24, 2017

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<hr/> /s/ Rory O'Driscoll Rory O'Driscoll	Director	March 24, 2017
<hr/> /s/ Gary Reiner Gary Reiner	Director	March 24, 2017
<hr/> /s/ Josh Stein Josh Stein	Director	March 24, 2017
<hr/> /s/ Bryan Taylor Bryan Taylor	Director	March 24, 2017

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Form	Incorporated by Reference		
			File No.	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation of the Registrant.	10-K	001-36805	3.1	March 30, 2015
3.2	Amended and Restated Bylaws of the Registrant.	10-K	001-36805	3.2	March 30, 2015
4.1	Form of common stock certificate of the Registrant.	S-1/A	333-194767	4.1	July 7, 2014
4.2	Eighth Amended and Restated Investors' Rights Agreement among the Registrant and certain holders of its capital stock, dated as of July 7, 2014.	S-1/A	333-194767	4.2	July 7, 2014
10.1*	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers.	S-1/A	333-194767	10.1	July 7, 2014
10.2*	Box, Inc. 2015 Equity Incentive Plan and related form agreements.	S-1/A	333-194767	10.2	January 9, 2015
10.3*	Box, Inc. 2015 Employee Stock Purchase Plan and related form agreements.	S-1/A	333-194767	10.3	January 9, 2015
10.4*	Box, Inc. 2011 Equity Incentive Plan and related form agreements.	S-1/A	333-194767	10.4	January 9, 2015
10.5*	Box, Inc. 2006 Stock Incentive Plan and related form agreements.	S-1/A	333-194767	10.5	January 9, 2015
10.6*	Box, Inc. Executive Incentive Plan.	S-1/A	333-194767	10.6	July 7, 2014
10.7*	Box, Inc. Outside Director Compensation Policy.	10-Q	001-36805	10.1	June 12, 2015
10.8*	Form of Change in Control and Severance Agreement between the Registrant and each of Aaron Levie, Dan Levin and Dylan Smith.	S-1/A	333-194767	10.7	December 10, 2014
10.9*	Form of Change in Control and Severance Agreement between the Registrant and certain of its executive officers.	S-1/A	333-194767	10.7A	December 10, 2014
10.10*	Offer Letter between the Registrant and Aaron Levie, dated as of December 19, 2014.	S-1/A	333-194767	10.8	January 9, 2015
10.11*	Offer Letter between the Registrant and Dan Levin, dated as of December 19, 2014.	S-1/A	333-194767	10.9	January 9, 2015
10.12*	Offer Letter between the Registrant and Dylan Smith, dated as of December 19, 2014.	S-1/A	333-194767	10.10	January 9, 2015
10.13*	Offer Letter between the Registrant and Peter McGoff, dated as of December 19, 2014.	S-1/A	333-194767	10.11	January 9, 2015

Exhibit Number	Exhibit Description	Form	Incorporated by Reference		
			File No.	Exhibit	Filing Date
10.14*	Offer Letter between the Registrant and Graham Younger, dated as of December 19, 2014.	S-1/A	333-194767	10.12	January 9, 2015
10.15□	Master License and Service Agreement between the Registrant and CoreSite, L.P., dated as of March 17, 2008.	S-1/A	333-194767	10.15	July 7, 2014
10.16	Master Service Agreement between the Registrant and Equinix Operating Co., Inc., dated as of April 29, 2008.	S-1	333-194767	10.16	March 24, 2014
10.17	Colocation Facilities Agreement between the Registrant and Switch Communications Group, L.L.C., dated as of December 20, 2011.	S-1	333-194767	10.17	March 24, 2014
10.18	Office Lease between the Registrant and Redwood City Partners, LLC, dated as of September 15, 2014.	S-1/A	333-194767	10.18	January 9, 2015
10.19	Credit Agreement by and between Box, Inc. and HSBC Bank USA, National Association, dated as of December 4, 2015.	8-K	001-36805	10.1	December 7, 2016
10.20	Amendment No. 1 to Credit Agreement by and between Box, Inc. and HSBC Bank USA, National Association, dated as of February 11, 2016	10-K	001-36805	10.25	March 30, 2016
10.21□	Master License and Service Agreement by and among the Registrant and entities affiliated with CoreSite, dated as of December 18, 2015.	10-Q	001-36805	10.1	December 8, 2016
10.22□	Wholesale Datacenter Lease by and between the Registrant and Vantage Data Centers, dated as of July 27, 2016.	10-Q	001-36805	10.2	December 8, 2016
10.23□	Wholesale Datacenter Lease by and between the Registrant and Vantage Data Centers, dated as of July 27, 2016.	10-Q	001-36805	10.3	December 8, 2016
10.24	Amendment No. 2 to the Credit Agreement, dated February 28, 2017, between Box, Inc. and HSBC Bank USA National Association.	8-K	001-36805	10.1	March 1, 2017
21.1	List of subsidiaries of the Registrant.				
23.1	Consent of Independent Registered Public Accounting Firm.				
24.1	Power of Attorney (included on the Signatures page of this Annual Report on Form 10-K).				
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Form</u>	<u>Incorporated by Reference</u>		
			<u>File No.</u>	<u>Exhibit</u>	<u>Filing Date</u>
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1†	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
101.INS	XBRL Instance Document.				
101.SCH	XBRL Taxonomy Schema Linkbase Document.				
101.CAL	XBRL Taxonomy Calculation Linkbase Document.				
101.DEF	XBRL Taxonomy Definition Linkbase Document.				
101.LAB	XBRL Taxonomy Labels Linkbase Document.				
101.PRE	XBRL Taxonomy Presentation Linkbase Document.				

* Indicates a management contract or compensatory plan or arrangement.

□ The Registrant has omitted portions of the relevant exhibit and filed such exhibit separately with the Securities and Exchange Commission pursuant to a request for confidential treatment under Rule 406 under the Securities Act of 1933, as amended.

† The certifications attached as Exhibit 32.1 that accompany this Annual Report on Form 10-K are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Annual Report on Form 10-K, irrespective of any general incorporation language contained in such filing.

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“We believe the most successful businesses will be fueled by modern tools and platforms to manage information, enabling companies to work in entirely new ways. We’re building the cloud content management platform for businesses — large and small — to enable these experiences. We are constantly realizing our mission to power how the world works together.”

—Aaron Levie, CEO and Cofounder, Box



Corporate Headquarters

Redwood City, CA
900 Jefferson Avenue, Redwood City, CA 94063, United States

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San Francisco, CA

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13th Floor
San Francisco, CA 94105

New York, NY

386 Park Avenue South
12th Floor
New York, NY 10016

Austin, TX

600 Congress Avenue
Suite 2400
Austin, TX 78701

London, UK

64 North Row
London, W1K 7LL
United Kingdom

Tokyo, Japan

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