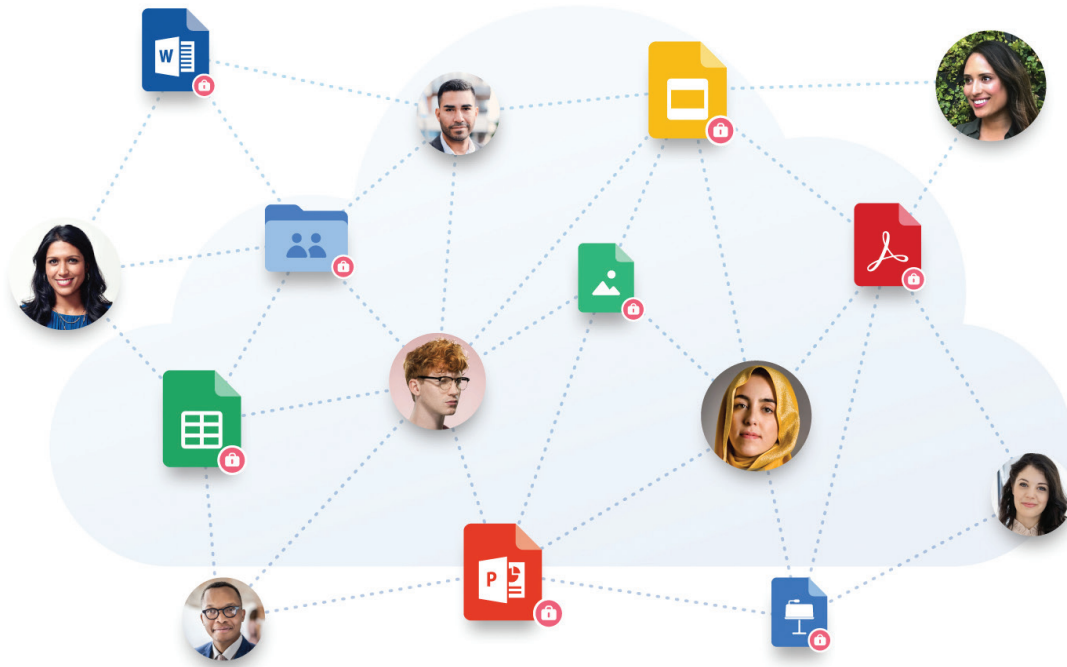




2020  
Proxy Statement  
and Annual Report



We simplify the way you work

Frictionless security, seamless  
collaboration, and easy integrations



***We thank you for your continued support and partnership on our mission to power how the world works together and to help our customers during these challenging times.***

— Aaron Levie



May 28, 2020

Dear Fellow Stockholders,

At Box, our mission is to power how the world works together. In FY20, we continued to help our customers, including BT Group, Intuit, MGM Studios, Morgan Stanley, NHL, and U.S. Forest Service, transform their businesses with cloud content management.

We also positioned ourselves for long term growth and profitability. Revenue grew 14% to \$696 million year over year, and we delivered our first full year of non-GAAP profitability with non-GAAP earnings per share of \$0.03, up from a loss per share of \$0.12 in the prior year. At the same time, we made meaningful progress to drive more efficiency across our operations. These efforts have already begun to yield positive results and we expect them to have a meaningful impact to our financial performance in FY21 and beyond.

#### COVID-19 Response

These are challenging and unprecedented times for all of us and I hope you and your family are all staying safe and healthy. While there is no playbook or operating manual that we can follow, we've been actively monitoring COVID-19 developments and taking proactive measures early to protect the health and safety of our employees, while looking out for customers by delivering the resiliency and uninterrupted service of our platform to enable secure, remote work through Box.

The COVID-19 pandemic has fundamentally changed the way businesses operate. It has brought to light the need for more organizations to develop remote work strategies to enable secure collaboration and efficient business continuity across a distributed workforce.

Nearly 100,000 customers - including healthcare providers, banks, disaster relief organizations, and government agencies - rely on Box today for mission critical infrastructure to power their work. For example, against the backdrop of COVID-19, the USDA chose Box to power the organization's secure remote work initiatives and help digitize operations within 2,500 farm service centers across the country. We are 100% committed to being the strongest partner possible for our customers and are honored to help customers such as the USDA fulfill their missions during these challenging times.

#### Our Market Opportunity

Every enterprise is going through significant digital transformation to better serve customers and employees. Now, more than ever, companies are re-imagining their work styles to enable employees to work from anywhere, with anyone, in a secure way. Remote work and urgent digital transformation strategies have forced enterprises to completely rethink how they manage, share, secure, and drive workflows around their critical business content.

Legacy approaches no longer work, especially given the speed at which businesses need to transform their workstyles and processes today. We've built the only platform that can truly help enterprises solve these challenges. Over the past few years, we've been building the category-defining cloud content management platform, focused on our three key differentiators: (1) frictionless security and compliance; (2) secure external and internal collaboration and workflow; and (3) world-class integrations and APIs that extend the value of the Box platform. We are proud to have achieved a significant milestone in that journey by being named a leader by all three major analyst firms – Gartner, Forrester and IDC.

We remain excited by the size of the market we're going after, and we're in the best position to help enterprises transform how they work and digitize their businesses going forward.

### Driving Profitable Growth

In FY20, we laid the foundation to drive a significantly greater balance of growth and profitability for FY21 and beyond with a focus on delivering growth more efficiently and implementing significant cost discipline changes in the business. We launched our native workflow solution, Box Relay, and the most advanced content security technology, Box Shield, in FY20, enabling us to deliver our powerful cloud content management suite of products to the market. To efficiently drive adoption of our more robust product offering, we refined our go-to-market strategy by focusing on expanding the use of Box within our large existing customer base, while also driving new logo acquisition through our direct, digital and partner channels.

To drive greater profitability as we scale, we reallocated resources to support higher ROI segments and regions, focused on delivering better gross margins by improving the cost to serve, and implemented an ongoing plan to rationalize expenses across the business. Our increased focus on cost discipline, along with the new initiatives we launched last year, will serve us well amidst a highly dynamic economic environment.

### Environmental, Social and Governance

Since our founding, we've put significant focus on building and maintaining an unparalleled culture at Box. Together with the Box community, our board of directors and leadership team have been dedicated to cultivating an open, inclusive and collaborative environment where employees can do their best work. We're proud to have recently been recognized for the second year in a row as one of Fortune Magazine's top 100 places to work.

And just as we are focused on continuing to bring on world-class talent in the business, we're also continuing to build out a world-class board, including the addition of six new, highly experienced board members over the past couple of years. We are also deeply focused on our community and the broader world around us. With Box.org, we have committed Box's technology, time, and resources to support thousands of amazing non-profit organizations doing good around the world. We are proud to work with nonprofits as wide-ranging as the International Rescue Committee and Oxfam to help them accomplish their profound missions of helping the most vulnerable during times of great need. These partnerships will be even more critical in light of the deeply challenging health and economic environment we've now entered.

We also care deeply about the environment and building a lasting future we can all thrive in. Given our platform is built on a cloud architecture, a large part of our mission has been to move organizations from legacy or paper-based processes onto Box, so they can work securely and efficiently from anywhere. We are also focused on continuing to reduce our carbon footprint through green initiatives led by Box employees and our transition to data centers that generate a significant portion of their energy from renewable resources.

We are deeply committed to building a world-class organization to help our customers transform their businesses. And, while we're pleased with the progress we've made to date, we remain insanely focused on delivering healthy, long-term growth rates, and on driving significantly more non-GAAP profitability in FY21 and beyond.



**AARON LEVIE**  
*Cofounder, Chairman and CEO*  
*Box, Inc.*



## To Be Held at 1:30 p.m. Pacific Time on Wednesday, July 15, 2020

**DATE AND TIME:** Wednesday, July 15, 2020 at 1:30 p.m. Pacific Time

**PLACE:** This year's Annual Meeting will be a completely virtual meeting of stockholders. You can attend the Annual Meeting by visiting <http://www.virtualshareholdermeeting.com/BOX2020> where you will be able to listen to the meeting live, submit questions and vote online.

- ITEMS OF BUSINESS:**
1. To elect three Class III directors to serve until the 2023 annual meeting of stockholders and until their successors are duly elected and qualified;
  2. To approve, on an advisory basis, the compensation of our named executive officers;
  3. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending January 31, 2021; and
  4. To transact such other business that may properly come before the Annual Meeting or any adjournments or postponements thereof.

**RECORD DATE:** Our board of directors has fixed the close of business on May 20, 2020 as the record date for the Annual Meeting (the "Record Date"). Only stockholders of record on May 20, 2020 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.

**PROXY VOTING:** 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.

On or about May 28, 2020, 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.

We appreciate your continued support of Box.

May 28, 2020  
Redwood City, California

By order of the Board of Directors,

A handwritten signature in black ink, appearing to read "Aaron Levie".

**Aaron Levie**  
Cofounder, Chairman and CEO

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders To Be Held on July 15, 2020**

The Notice of Annual Meeting, Proxy Statement and Annual Report for the fiscal year ended January 31, 2020 are available at <https://materials.proxyvote.com/10316T>.

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## Proxy Summary

At our 2020 Annual Meeting of Stockholders, we are asking stockholders to vote on three key items. This section highlights information contained in other parts of this proxy statement. We encourage you to review the entire proxy statement for more detail on these items, as well as our Annual Report for the fiscal year ended January 31, 2020.

### Items of Business for Vote at our Regular Meeting of Shareholders

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

Proposal Number	Description	Board Recommendation
1	<b>Election of Directors</b>	<b>FOR Each Nominee</b>
	To elect three Class III directors to serve until the 2023 annual meeting of stockholders and until their successors are duly elected and qualified	
2	<b>Advisory Vote on the Compensation of our Named Executive Officers</b>	<b>FOR</b>
	To approve, on an advisory basis, the compensation of our named executive officers.	
3	<b>Ratification of Appointment of Independent Registered Public Accounting Firm</b>	<b>FOR</b>
	To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending January 31, 2021.	

### Attending the Meeting

#### ***How will the Annual Meeting be conducted?***

The Annual Meeting will be a completely virtual meeting of stockholders. You can attend the Annual Meeting by visiting [www.virtualshareholdermeeting.com/BOX2020](http://www.virtualshareholdermeeting.com/BOX2020), where you will be able to listen to the meeting live, submit questions and vote online. Your Notice of Internet Availability of Proxy Materials contains instructions on how to access the Annual Meeting. Stockholders must enter the control number found on their proxy card, voting instruction form or notice previously received to gain access to the virtual meeting platform.

#### ***How can I ask questions during the Annual Meeting?***

The virtual format allows stockholders to communicate with us in advance of, and during, the Annual Meeting so they can ask questions of our board of directors or management. During the Annual Meeting, we will answer questions submitted during the Annual Meeting and address those asked in advance, to the extent relevant to the business of the Annual Meeting, as time permits. Stockholder questions may be submitted in the field provided in the web portal at or before the time that matters are brought before the Annual Meeting for consideration.

#### ***What can I do if I need technical assistance during the Annual Meeting?***

If you encounter any difficulties accessing the Annual Meeting during the check-in or meeting time, please call the technical support number that will be posted on the Annual Meeting log-in page.

***If I can't attend the Annual Meeting, can I vote or listen to it later?***










You do not need to attend the online Annual Meeting to vote if you submitted your vote via proxy in advance of the meeting. Whether or not stockholders plan to attend the Annual Meeting, we urge stockholders to vote and submit their proxy in advance of the Annual Meeting by one of the methods described in the proxy materials. A replay of the Annual Meeting, including the questions answered during the meeting, will be available at [www.virtualshareholdermeeting.com/BOX2020](http://www.virtualshareholdermeeting.com/BOX2020) within 24 hours of the meeting.

Additional information about how to vote your shares and attend the Annual Meeting can be found in the "Questions and Answers about the Proxy Materials and Our Annual Meeting" section of this proxy statement.

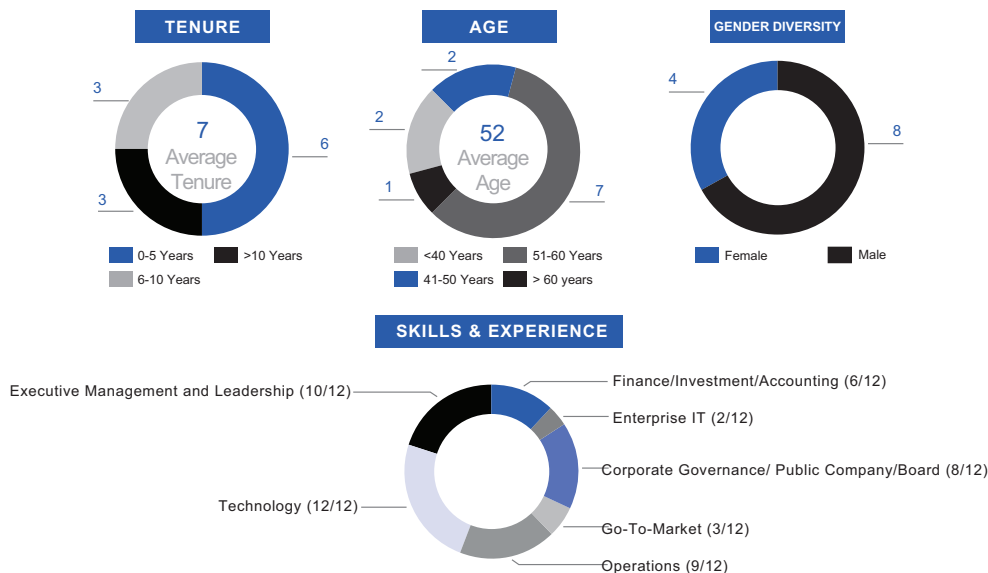
## DIRECTORS AND DIRECTOR NOMINEES

The following table provides summary information about each director nominee and our other directors as of March 31, 2020.

Name	Age	Director Since	Independent	Class	Current Term Expires	AC	CC	NCGC	OC	Skills and Experience
<b>DIRECTOR NOMINEES*</b>										
Sue Barsamian	60	2018	Yes	III	2020		Member	Member	Member	Executive Management and Leadership, Technology, Operations, Go-To-Market, Corporate Governance/Public Company Board, Finance/Investment/Accounting
Carl Bass	62	2020	Yes	III	2020					Executive Management and Leadership, Technology, Operations, Enterprise IT, Corporate Governance/Public Company Board
Jack Lazar	54	2020	Yes	III	2020				Member	Executive Management and Leadership, Technology, Operations, Finance/Investment/Accounting, Corporate Governance/Public Company Board
<b>CONTINUING DIRECTORS:</b>										
Dana Evan	60	2011	Yes	I	2021	Member	Member	Member		Executive Management and Leadership, Technology, Operations, Finance/Investment/Accounting, Corporate Governance/Public Company Board
Peter Leav	49	2019	Yes	I	2021		Member			Executive Management and Leadership, Technology, Operations, Go-To-Market, Corporate Governance/Public Company Board
Aaron Levie	35	2005	No	I	2021					Executive Management and Leadership, Technology, Go-To-Market
Kim Hammonds	52	2018	Yes	II	2022	Member			Member	Executive Management and Leadership, Technology, Operations, Enterprise IT, Corporate Governance/Public Company Board
Dan Levin	56	2010	No	II	2022					Executive Management and Leadership, Technology, Operations
Bethany Mayer	58	2020	Yes	II	2022				Member	Executive Management and Leadership, Technology, Operations, Finance/Investment/Accounting, Corporate Governance/Public Company Board
<b>NON-CONTINUING DIRECTORS:</b>										
Rory O'Driscoll	55	2010	Yes	III	2020	Member				Technology, Finance/Investment/Accounting, Corporate Governance/Public Company Board
Dylan Smith	34	2005	No	III	2020					Executive Management and Leadership, Technology, Operations, Finance/Investment/Accounting
Josh Stein	46	2006	Yes	II	2022		Member	Member		Technology, Finance/Investment/Accounting

-  Chairperson
-  Member
- \* If elected, term will expire in 2023.
- AC Audit Committee
- CC Compensation Committee
- NCGC Nominating and Corporate Governance Committee
- OC Operating Committee
-  Executive Management and Leadership
-  Technology
-  Operations
-  Go-To-Market
-  Corporate Governance/Public Company Board
-  Finance/Investment/Accounting
-  Enterprise IT

### Board Composition Snapshot as of March 31, 2020



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PROXY STATEMENT

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**FOR 2020 ANNUAL MEETING OF STOCKHOLDERS  
To Be Held at 1:30 p.m. Pacific Time on Wednesday, July 15, 2020**

This proxy statement and the enclosed form of proxy are being provided to you in connection with the solicitation of proxies by our board of directors (the “Board of Directors”) for use at the 2020 annual meeting of stockholders of Box, Inc. (“Box” or “the company”), a Delaware corporation, and any postponements, adjournments or continuations thereof (the “Annual Meeting”). The Annual Meeting will be held virtually on Wednesday, July 15, 2020 at 1:30 p.m. Pacific Time. You can attend the Annual Meeting by visiting [www.virtualshareholdermeeting.com/BOX2020](http://www.virtualshareholdermeeting.com/BOX2020), 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 28, 2020 to all stockholders entitled to vote at the Annual Meeting.

## QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND OUR 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.

### *Why are we holding a virtual Annual Meeting?*

Similar to previous years, this year we have implemented a virtual format for our Annual Meeting, which will be conducted via live audio webcast and online stockholder tools. We believe a virtual format helps to facilitate stockholder attendance and participation by enabling stockholders to participate fully, and equally, from any location around the world, at no cost (other than any costs associated with your Internet access, such as usage charges from Internet access providers and telephone companies). Our virtual meeting this year also protects the safety of everyone in light of the COVID-19 outbreak. A virtual Annual Meeting makes it possible for more stockholders (regardless of size, resources or physical location) to have direct access to information more quickly, while saving the company and our stockholders time and money, especially as physical attendance at meetings has dwindled. We also believe that the online tools we have selected will increase stockholder communication. For example, the virtual format allows stockholders to communicate with us in advance of, and during, the Annual Meeting so they can ask questions of our board of directors or management. During the Annual Meeting, we will answer questions submitted during the Annual Meeting and address those asked in advance, to the extent relevant to the business of the Annual Meeting, as time permits.

### *What matters am I voting on?*

You will be voting on:

- the election of three Class III directors to serve until our 2023 annual meeting of stockholders and until their successors are duly elected and qualified;
- 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, 2021; and
- any other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

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

Our Board of Directors recommends a vote:

- “FOR” the election of Sue Barsamian, Carl Bass, and Jack Lazar as Class III directors;
- “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, 2021.

### *Who is entitled to vote?*

Holders of our Class A common stock as of the close of business on May 20, 2020 (the “Record Date”) may vote at the Annual Meeting. As of the Record Date, there were 153,449,784 shares of our Class A common stock outstanding and entitled to vote. Each stockholder will be entitled to one vote on each proposal for each share of our Class A common stock held by them on the Record Date. Stockholders are not permitted to cumulate votes with respect to the election of directors. Our Class A common stock is 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 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.
- *Proposal No. 2:* 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. 3:* The ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending January 31, 2021, 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](http://www.proxyvote.com), 24 hours a day, seven days a week, until 11:59 p.m. Eastern Time on July 14, 2020 (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 July 14, 2020 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/BOX2020](http://www.virtualshareholdermeeting.com/BOX2020), 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 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/BOX2020](http://www.virtualshareholdermeeting.com/BOX2020). 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 1:30 p.m. Pacific Time on July 15, 2020. We encourage you to access the meeting prior to the start time. Online check-in will begin at 1:15 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, Dylan Smith, and David Leeb 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 28, 2020 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, 2021. 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 2021 annual meeting of stockholders, our Secretary must receive the written proposal at our principal executive offices not later than January 28, 2021. 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 2021 annual meeting of stockholders, our Secretary must receive the written notice at our principal executive offices:

- not earlier than March 14, 2021; and
- not later than the end of the day on April 13, 2021.

In the event that we hold the 2021 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 2021 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 2021 annual meeting of stockholders; or
- the 10th day following the day on which public announcement of the date of our 2021 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.box.com/investors>. 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 twelve members. The size of our Board of Directors will be reduced to nine directors upon the conclusion of the Annual Meeting as two of our directors will not be standing for re-election and another director will be retiring from the Board of Directors effective at the conclusion of the Annual Meeting. Seven 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, 2020, and certain other information for each of the nominees for election as a Class III director at the Annual Meeting, each of the continuing members of our Board of Directors and certain non-continuing members of our Board of Directors who are not standing for re-election or have resigned effective at the conclusion of the Annual Meeting:

Name	Age	Director Since	Independent	Class	Current Term Expires	Expiration of Term for Which Nominated	Audit Committee	Compensation Committee	Corporate Governance Committee	Operating Committee
<b>Director Nominees:</b>										
Sue Barsamian	60	2018	Yes	III	2020	2023		Member	Member	Member
Carl Bass	62	2020	Yes	III	2020	2023				
Jack Lazar	54	2020	Yes	III	2020	2023				Member
<b>Continuing Directors:</b>										
Dana Evan	60	2011	Yes	I	2021		Member	Member	Member	
Peter Leav	49	2019	Yes	I	2021		Member			
Aaron Levie	35	2005	No	I	2021					
Kim Hammonds	52	2018	Yes	II	2022		Member			Member
Dan Levin	56	2010	No	II	2022					
Bethany Mayer	58	2020	Yes	II	2022					Member
<b>Non-Continuing Directors:</b>										
Rory O'Driscoll	55	2010	Yes	III	2020		Member			
Dylan Smith	34	2005	No	III	2020					
Josh Stein	46	2006	Yes	II	2022			Member	Member	

 Chairperson  
 Member

### Nominees for Director



*Sue Barsamian* has served as a member of our Board of Directors since May 2018. Ms. Barsamian served as Chief Sales and Marketing Officer for HPE Software of Hewlett Packard Enterprise from November 2016 to September 2017 and transitioned this business through its merger with Micro Focus in September 2017. From August 2015 to November 2016, she served as General Manager of Enterprise Security Products at Hewlett Packard Enterprise. From 2006 to 2015, she served in various roles at Hewlett Packard. From 2012 to 2017, Ms. Barsamian served on the Board of the National Action Council for Minorities in Engineering (NACME), and she served as Chairman of the Board of NACME from 2016 to 2017. Since September 2019 she has served on the Board of Trustees for Kansas State University. Ms. Barsamian currently serves on the board of directors of NortonLifeLock Corporation, a consumer cyber safety company. Ms. Barsamian holds a Bachelor of Science degree with honors in electrical engineering from Kansas State University. She completed her post-graduate studies at the Swiss Federal Institute of Technology in Zurich, Switzerland.

Ms. Barsamian was selected to serve on our Board of Directors because of her enterprise software sales and global go-to-market strategy experience.



*Carl Bass* has served as a member of our Board of Directors since May 2020. Mr. Bass served as the President and Chief Executive Officer of Autodesk, Inc., a software company, from May 2006 to February 2017. He served as the Interim Chief Financial Officer of Autodesk, Inc. from August 2014 to November 2014. From January 2006 to June 2018, Mr. Bass served on the board of directors of Autodesk, Inc. Since February 2016, Mr. Bass has served on the board of directors of Zendesk, Inc., a provider of customer service software. From November 2015 to September 2017, he served on the board of directors of HP Inc., a provider of software and technology. From July 2011 to March 2015, he served on the board of directors of E2open, Inc., a software company, until it was acquired by Insight Venture Partners in March 2015. Mr. Bass holds a B.A. in mathematics from Cornell University.

Mr. Bass was selected to serve on our Board because of his extensive experience as an executive in the technology industry.



*Jack Lazar* has served as a member of our Board of Directors since March 2020. Mr. Lazar has been an independent business consultant since March 2016. From January 2014 until March 2016, Mr. Lazar served as the Chief Financial Officer at GoPro, Inc., a provider of wearable and mountable capture devices. From January 2013 until January 2014, he was an independent business consultant. From May 2011 until January 2013, Mr. Lazar was employed by Qualcomm and served as Senior Vice President, Corporate Development and General Manager of Qualcomm Atheros, Inc., a developer of communications semiconductor solutions. From September 2003 until it was acquired by Qualcomm in May 2011, Mr. Lazar served in various positions at Atheros Communications, Inc., a provider of communications semiconductor solutions, most recently as Senior Vice President of Corporate Development, Chief Financial Officer and Secretary. Mr. Lazar has served on the boards of directors of Silicon Laboratories, an analog and mixed signal semiconductor company, since April 2013, Resideo Technologies, a provider of comfort and security solutions, since October 2018, and Casper Sleep, a provider of sleep-centric products to consumers, since April 2019. From October 2013 until its sale to Adobe in December 2016, he served on the board of directors of TubeMogul, Inc., an enterprise software company for digital branding, and from June 2018 until its sale to NVIDIA in April 2020, he served on the board of directors of Mellanox Technologies, a communications semiconductor company. Mr. Lazar also served on the board of directors of Quantenna Communications, Inc., a wireless semiconductor company, from July 2016 until its sale to On Semiconductor in June 2019. Mr. Lazar is a certified public accountant (inactive) and holds a B.S. in Commerce with an emphasis in Accounting from Santa Clara University.

Mr. Lazar was selected to serve on our Board of Directors because of his experience in both the enterprise and consumer technology markets, along with a strong track record of helping companies drive disciplined growth and profitability.

## Continuing Directors

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*Bethany Mayer* has served as a member of our Board of Directors since April 2020. Ms. Mayer is an executive partner with Siris Capital Group LLC, a private equity firm. Ms. Mayer served as Executive Vice President of Corporate Development and Technology of Sempra Energy, an energy infrastructure company, from November 2018 to January 2019 and served as a member of the board of directors of Sempra Energy from February 2017 to November 2018. From 2014 through 2017, she was the President, Chief Executive Officer and a board member of Ixia, a market leader in test, visibility and security solutions acquired by Keysight Technologies in 2017. From 2011 through 2014, Ms. Mayer served as Senior Vice President and General Manager of HP's Networking Business unit and the NFV business unit. From 2010 until 2011, she served as Vice President, Marketing and Alliances, for HP's Enterprise Servers Storage and Networking Group. Prior to joining HP, she held leadership roles at Blue Coat Systems, Cisco and Apple Computer. Presently, Ms. Mayer is a member of the board of directors of LAM Research Corporation, a semiconductor equipment company; Marvell Technology Group, an infrastructure semiconductor solutions company; and Sempra Energy, an energy services holding company. Ms. Mayer holds a Masters in Business Administration from CSU-Monterey Bay and a Bachelor of Science in Political Science from Santa Clara University.

Ms. Mayer was selected to serve on our Board of Directors because of her deep technology experience and leadership roles scaling multi-billion dollar enterprises.

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*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 board of directors of Domo, Inc., a business intelligence tools and data visualization company, Farfetch Limited, a global technology platform for the luxury fashion industry, Proofpoint, Inc., a security-as-a-service provider, SVMK Inc. (Survey Monkey), an online survey development cloud-based software, and a number of privately held companies, and previously served on the Board of Directors of Criteo S.A., a performance display advertising company, and 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 was selected as the 2019 Director of the Year by the National Association of Corporate Directors (NACD). 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.

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*Peter Leav* has served as a member of our Board of Directors since June 2019. Mr. Leav serves as the Chief Executive Officer and member of the Board of Managers of McAfee, LLC, a cybersecurity company. Previously, Mr. Leav served as President, Chief Executive Officer, and Director of BMC Software, Inc., a management solutions software company, from December 2016 to April 2019. Prior to joining BMC, Mr. Leav served as President, Chief Executive Officer, and Director of Polycom, Inc., a video, voice, and content solution company, from December 2013 through September 2016. Prior to joining Polycom, Mr. Leav served as Executive Vice President and President, Industry and Field Operations of NCR Corporation, a global technology company, from June 2012 to November 2013, as Executive Vice President, Global Sales, Professional Services and Consumables of NCR from November 2011 to June 2012, and as Senior Vice President, Worldwide Sales of NCR from January 2009 to October 2011. Prior to joining NCR, he served as Corporate Vice President and General Manager of Motorola, Inc., a provider of mobility products and solutions across broadband and wireless networks, from November 2008 to January 2009, as Vice President and General Manager from December 2007 to November 2008, and as Vice President of Sales from December 2006 to December 2007. From November 2004 to December 2006, Mr. Leav was Director of Sales for Symbol Technologies, Inc., an information technology company. Prior to this position, Mr. Leav was regional sales manager at Cisco Systems, Inc., a manufacturer of communications and information technology networking products, from July 2000 to November 2004. Mr. Leav served on the board of directors of HD Supply, Inc., an industrial distributor company, from October 2014 to July 2017. Mr. Leav holds a bachelor's degree from Lehigh University.

Mr. Leav was selected to serve on our Board of Directors because of his general management, technology, communications and global go-to-market strategy and operations experience.



*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.



*Kim Hammonds* has served as a member of our Board of Directors since October 2018. Ms. Hammonds served as the Group Chief Operating Officer at Deutsche Bank AG, a global financial services company, from January 2016 to May 2018 and as a member of the Deutsche Bank Management Board from August 2016 to May 2018. She joined Deutsche Bank as Chief Information Officer and Global Co-Head Technology and Operations in November 2013 from The Boeing Company, a global aerospace company. Ms. Hammonds joined Boeing in 2008 and served in a number of capacities, including most recently as Chief Information Officer/Vice President, Global Infrastructure, Global Business Systems from January 2011 to November 2013. Ms. Hammonds joined Boeing from Dell Inc., where she led IT systems development for manufacturing operations in the Americas, and directed global IT reliability and factory systems. Ms. Hammonds currently serves on the board of directors of Tenable Holdings, Inc., a provider of cybersecurity solutions, and Zoom Video Communications, Inc., an enterprise video communications company. Ms. Hammonds holds a B.S. in Mechanical Engineering from University of Michigan and an MBA in Marketing from Western Michigan University.

Ms. Hammonds was selected to serve on our Board of Directors because of her enterprise IT and global go-to-market strategy experience.

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*Dan Levin* served as our President and Chief Operating Officer from December 2013 until July 2017, and as our Chief Operating Officer from July 2010 until July 2017. Mr. Levin has served 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.

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## Non-Continuing Directors

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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 board of directors of Bill.com, a provider of business payments processing platforms, and a number of several privately held companies. 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 as a director of both publicly and privately held technology companies.

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*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.

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*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 knowledge of technology companies and his experience as a director of privately held technology companies.

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## 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 as a partner, shareholder or officer of an organization that has a relationship within the company).

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. Barsamian, Evan, Hammonds, and Mayer or Messrs. Bass, Lazar, Leav, O'Driscoll and Stein has a material relationship with the company (either directly or as a partner, shareholder or officer of an organization that has a relationship within the company) 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 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- and industry-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 Rory O'Driscoll to serve as our Lead Independent Director. As Lead Independent Director, Mr. O'Driscoll presides over regularly scheduled executive sessions 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. Because Mr. O'Driscoll will not stand for reelection as a director at the Annual Meeting, our Board of Directors intends to appoint a new Lead Independent Director to succeed Mr. O'Driscoll on or before the date of this year's Annual Meeting.

## Board and Stockholder Meetings and Committees

During our fiscal year ended January 31, 2020, our Board of Directors held eleven meetings (including regularly scheduled and special meetings), and each incumbent 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. Eight directors attended our 2019 annual meeting of stockholders.

Our Board of Directors has established an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee, and an Operating 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 otherwise determined by our Board of Directors.

### **Audit Committee**

Our Audit Committee consists of Mr. O'Driscoll and Ms. Evan and Ms. Hammonds, with Ms. Evan serving as the chair. Mr. O'Driscoll will not stand for reelection at the Annual Meeting. 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 and that simultaneous service by Ms. Evan on the audit committee of more than three public companies does not impair her ability to effectively serve on our Audit Committee. 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;
- pre-approving the audit services and 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.box.com/investors>. During our fiscal year ended January 31, 2020, our Audit Committee held five meetings.

### **Compensation Committee**

Our Compensation Committee consists of Messrs. Leav and Stein and Ms. Barsamian and Ms. Evan, with Mr. Stein serving as the chair. Mr. Stein will resign from our Board of Directors and the Compensation Committee effective at the conclusion of the Annual Meeting. 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. 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.box.com/investors>. During our fiscal year ended January 31, 2020, our Compensation Committee held five meetings.

### ***Nominating and Corporate Governance Committee***

Our Nominating and Corporate Governance Committee consists of Ms. Evan and Barsamian and Mr. Stein, with Ms. Evan serving as the chair. Mr. Stein will resign from our Board of Directors and the Nominating and Corporate Governance Committee effective at the conclusion of the Annual Meeting. 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;
- overseeing annual performance evaluations of the 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.box.com/investors>. During our fiscal year ended January 31, 2020, our Nominating and Corporate Governance Committee held two meetings

### ***Operating Committee***

Our Operating Committee was formed in March 2020 and consists of Ms. Barsamian, Hammonds, and Mayer and Mr. Lazar, with Ms. Barsamian serving as the chair. Although the listing standards of the New York Stock Exchange and SEC rules and regulations do not specify independence requirements applicable to our Operating Committee, each member of the Operating Committee meets the general requirements for independence under the listing standards of the New York Stock Exchange and SEC rules and regulations. Our Operating Committee is responsible for working with our Chief Executive Officer, Chief Financial Officer, and management to identify and recommend opportunities for further improvement in growth and margin performance.

Because our Operating Committee was formed in March 2020, it held no meetings during our fiscal year ended January 31, 2020.

## **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.

Two of our director-nominees have been nominated pursuant to an agreement we entered into with Starboard Value LP and certain of its affiliates on March 22, 2020. For more information about this agreement, refer to the sections titled "Proposal No. 1 — Election of Directors — Agreement with Starboard Value LP" and "Related Person Transactions — Agreement with Starboard Value LP" below.

## **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 2021 annual meeting of stockholders, our General Counsel or Legal Department must receive the nomination no earlier than March 14, 2021 and no later than April 13, 2021.

## **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. If an interested party wishes to contact the independent members of our Board of Directors, the interested party should address such communication to the attention of the Lead Independent Director at the address above. 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.

## Stockholder Engagement

As owners of Box, we value our stockholders' opinions and feedback. Maintaining an active dialogue with our stockholders is consistent with our corporate values of transparency and accountability, and we intend to continue these efforts in the future.

Our stockholder outreach program includes post-earnings communications, conferences, roadshows, bus tours, one-on-one and group meetings, technology webcasts, and general availability to respond to stockholder inquiries.

Since our IPO over 5 years ago, we've held an annual "Investor Day" to provide stockholders with a detailed update on our strategy and financial outlook as well as access to the extended executive team.

The feedback we receive from stockholders from our outreach program helps our Board, leadership team and employees develop a mutual understanding and trust with our stockholders. Members of our Board of Directors and senior executives directly engage from time to time with stockholders to hear unfiltered concerns and perspectives that shape our core strategy. These efforts are also supplemented by surveys conducted by third parties that enable us to receive candid feedback. Employees receive quarterly updates on investor sentiment following our earnings calls to empower them to drive alignment with corporate financial objectives.

## 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.box.com/investors>. 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, cyber security, 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.

## Corporate, Environmental, and Social Responsibility

Our Board of Directors believes operating sustainably benefits the company's many different stakeholders and drives long-term value creation. We work to conduct our business in ways that are consistent with our company values and promote accountability to our stockholders and other stakeholders. We focus our efforts where we can have the most positive impact on our business and society and are committed to managing the risks and opportunities that arise from sustainability issues. Box's commitment to corporate, environmental, and social responsibility is focused on the following key areas:

### Diversity and Inclusion

Our mission is to power how the world works together. We work better together in a world where a diversity of backgrounds, beliefs and ideas can flourish. We believe our employees have the power to create lasting change in our communities and our world. This core belief informs our approach to diversity and inclusion ("D&I"). By being intentional about community and belonging, we also believe we can drive even better results. Our D&I work focuses on three key areas:

**Hiring:** Sourcing top, underrepresented talent through proactive, external relationship building. Promoting our external brand. Driving consistency with the interview and selection process.

**Thriving:** Ensuring that Box employees have exceptional career experiences. Monitoring career development and progression processes to reinforce consistency and fairness.

**Belonging:** Creating space where all Box employees can bring their whole selves to work. Removing blindspots that unintentionally cause harm. Nurturing healthy, diverse communities.

We aim to achieve these values through a variety of key programs, including:

- **D&I Advisory Council:** We have a council made up of executives from across the company who focus on driving D&I strategic planning for their organizational areas and helping to gain traction on company initiatives.
- **Employee Resource Groups:** We have 12 employee resource groups and a multitude of employee interest groups that offer a variety of programming, including educational and advocacy events, external speakers, networking and social activities and more. Anyone can join and all are encouraged to be allies.
- **Thrive Committees:** We have local committees in each of our office locations made up of business leaders paired with employee resource groups, Box.Org and other employee volunteers to help drive local programming and belonging efforts.
- **Boxer Experience Surveys:** We seek employee feedback on a semi-annual basis to help us listen and respond to issues and concerns raised around our employees' experience at Box.
- **Learning Curriculum:** We offer programs for all Boxers to promote greater awareness on core issues around diversity and inclusion, including programs focused on our company values such as "Make Mom Proud" and on overcoming bias.

We have received external recognition for these efforts, including being named to the 2020 Bloomberg Gender-Equality Index, receiving a top score of 100 on the 2020 Human Rights Campaign Corporate Equality Index and achieving placement on Fortune's 100 Best Workplaces for Diversity, Best Workplaces in the Bay Area, and 100 Best Companies to Work For 2020 lists.

## Our Commitment to Our Communities

We are committed to powering how the world does more good together. Box.org mobilizes our technology, talent, partners and institutional assets to enable nonprofits to innovate and fulfill their missions. Founded in 2014, Box.org now serves over 8,000 nonprofits with over \$3 million worth of donated or discounted Box access, employee volunteer hours and cash grants from the Box.org Fund.

In addition, we are subject to the UK Modern Slavery Act of 2015 (the “Modern Slavery Act”). As part of our adherence to the Modern Slavery Act, we publish an annual statement detailing our efforts to combat modern slavery and human trafficking, which is available on our website at <http://www.box.com/investors>.

## Environmental Sustainability

We are committed to making our world a better and more sustainable place. Box helps companies digitize their businesses and facilitate remote work for their employees, which contributes to the reduction of paper-based processes and lessens the need to commute to work. Through our ability to enable remote work, our technology supports plans for business continuity in times of natural disaster or in the face of a pandemic, including the ability to work securely from anywhere on any device with an internet connection. In addition, through our work with environmentally-focused non-profits and through our own initiatives, we seek to limit our impact on the environment. In each of our major office locations, our employees have organized Green Teams, with a focus on promoting sustainability. Some highlights of our environmental sustainability initiatives include:

- Transitioning our third-party data centers into facilities that use 100% renewable energy;
- Ensuring our Redwood City, California headquarters is LEED Gold certified;
- Saving over 240,000 kg of greenhouse gas emissions since December 2014 through on-site electric vehicle charging stations;
- Limiting the use of single-use plastics in our cafes, saving nearly 1 million bottles from landfills through use of reusable bottles and other sustainable packaging;
- Approximately 40% of the employees in our Redwood City headquarters location use public transportation to get to and from work partly as a result of the free local transportation passes we offer employees. In our London and Tokyo offices, less than 10% of our employees drive their cars to work; the other 90% use public transit or human power to get to work; and
- Our Redwood City headquarters cafeteria sources the vast majority of its ingredients from local and organic farmers within a 100 mile radius, and features several meatless lunch days each year to promote sustainability.

## Compliance and Ethics

Our culture of integrity starts with our Code of Business Conduct and Ethics (the “Code”) and our compliance program, which includes risk assessment, development of policies and procedures, training, auditing and monitoring, and investigations and remediation of potential compliance matters. A copy of the Code is available on our website at <http://www.box.com/investors>.

The Code applies to all directors and employees, including our executive officers. The Code is reviewed on an annual basis for any changes to law or policy and updated as appropriate. New employees are required to complete training on the Code, and all employees must complete additional Code training and a compliance certification each year.

Throughout the year, we require our employees to complete supplementary in-person and online trainings associated with the compliance risks of specific roles and business functions, while various additional guidance helps improve awareness of our policies and our expectations for ethical behavior and a safe work environment consistent with our values and the Code.

## Compliance and Ethics

We strive to create a culture where open, honest communications are the expectation, not the exception. We want all employees to feel comfortable approaching their manager or any member of the Box leadership team in instances where our value “Make Mom Proud” has not been upheld. All complaints and concerns regarding possible violations of, or non-compliance with, the Code, a written statement of company policy or a law or regulation, or retaliatory acts against anyone who makes such a complaint or assists in the investigation of such a complaint, may be made by phone or web reporting using our confidential hotline at [box.ethicspoint.com](http://box.ethicspoint.com). Reports may be made anonymously and confidentially.

## Political Contributions

All Box employees must comply with all local, state, federal, foreign and any other applicable laws and regulations regarding political contributions. Company funds or assets cannot be used for, or be contributed to, political campaigns or practices under any circumstances unless pre-approved by Box’s General Counsel and, if necessary, the Nominating and Corporate Governance Committee of the Board. However, it is acceptable for Box employees to make lawful personal political contributions. More information regarding our policies on political contributions can be found in the Code, which is available on our website at <http://www.box.com/investors>.

## Data, Privacy, Security, and Compliance

We are focused on maintaining appropriate data governance and systems so we can maintain the trust of our customers and other stakeholders, which is fundamental to our business success. Our Security team is responsible for our cyber security practices, security operations and data and platform protection, and our Legal team is responsible for global privacy law compliance and related operations. Our data, privacy, security and compliance practices include:

- We maintain a transparent website and platform, including privacy and cookie notices, to inform our customers about how we collect, use, share, disclose, retain and protect personal information in compliance with data protection principles and certifications.
- We provide annual data protection and security training to all employees, supplemented with periodic, targeted data protection, privacy and security training, as needed.
- We are dedicated to providing highly effective security, compliance and data protection for our customers. We maintain industry standard certifications for security and privacy that are assessed annually by third-party auditors, independent third-party assessors and/or internally to verify our compliance. These certifications include:
  - Service and Organization Controls (“SOC”) 1, 2, and 3; International Organization for Standardization 27001/27018; Payment Card Industry Data Security Standard; Health Insurance Portability and Accountability Act (HIPAA)/Health Information Technology for Economic and Clinical Health Act (“HITECH”); Financial Industry Regulatory Authority (“FINRA”)/Securities and Exchange Commission 17a-4; Department of Defense Cloud Computing Security Requirements Guide (SRG); Impact Level 4 for Controlled Unclassified Information; and Federal Risk and Authorization Management Program (“FedRAMP”)/Federal Information Security Management Act (FISMA) compliance.
  - We adhere to comprehensive data transfer requirements and privacy frameworks, including but not limited to, U.S.-E.U. Privacy Shield, Asia-Pacific Economic Cooperation’s Cross-Border Privacy Rules System and Privacy Recognition for Processors, and E.U. Processor Global Binding Corporate Rules and Controller Global Binding Corporate Rules.
  - We also maintain cloud certifications with the United Kingdom’s G-Cloud Framework and Germany’s TUV Rhineland Certified Cloud Services standards.

## 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.

On a periodic basis, our Compensation Committee reviews with an independent compensation consultant the compensation paid to outside directors. Following the end of fiscal year 2020, our Compensation Committee reviewed data provided by Compensia, a nationally-recognized independent compensation consulting firm, with respect to the compensation provided to outside directors of our peer companies. That review showed that the company’s outside director compensation practices were generally at the median of the selected peer companies but that an overwhelming majority of peer companies used only restricted stock units for their equity compensation grants.

In addition to the general compensation data reviewed, due to the formation of the Operating Committee, Compensia was asked to provide data regarding compensation paid to directors who serve on special committees. The information provided showed that special committee compensation varied widely and Compensia’s advice was that it would be common to determine the level of pay based on the scope of responsibilities and risk for an operating committee as compared to other standing committees of the Board of Directors.

In April 2020, based on this review, the Compensation Committee recommended and the Board of Directors approved an amendment to our Outside Director Compensation Policy to provide for the following, effective April 9, 2020: (i) a reduction of each Initial Equity Award from \$450,000 to \$400,000, (ii) an annual cash retainer of \$20,000 to the chair of the Operating Committee and \$8,000 to each other member of the Operating Committee and (iii) Initial Equity Awards and Annual Equity Awards to be comprised entirely of restricted stock units. Before this amendment in April 2020, our Outside Director Compensation Policy provided for the following compensation to our outside directors, pursuant to which our outside directors received the equity and cash compensation for fiscal year 2020 described in the section below entitled “Compensation for Fiscal Year 2020”:

### *Cash Compensation*

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

Committee	Committee Member Annual Retainer	Committee Chair Annual Retainer
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 was 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 who joined our Board of Directors prior to April 2020 received an equity award with a value of \$450,000 (“Initial Equity Award”). The Initial Equity Award was comprised of stock options and restricted stock units, each having a value of 50% of the aggregate Initial Equity Award. The Initial Equity Award vests 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 received an equity award with a value of \$200,000 (“Annual Equity Award”). The Annual Equity Award was comprised of stock options and restricted stock units, each having a value of 50% of the aggregate Annual Equity Award. The Annual Equity Award fully vests 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 was not eligible for an Annual Award unless the outside director had 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 Equity Award or Annual Equity Award was 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 Equity Award or Annual Equity Award was determined by multiplying the number of shares of our Class A common stock determined in the preceding sentence by two.

### Compensation for Fiscal Year 2020

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, 2020.

Director <sup>(1)</sup>	Fees Earned or Paid in Cash (\$)	Option Awards(\$) <sup>(2)</sup>	Stock Awards(\$) <sup>(2)</sup>	Total(\$)
Sue Barsamian <sup>(3)</sup>	39,957	84,747	97,708	222,412
Dana Evan <sup>(3)</sup>	66,000	84,747	97,708	248,455
Kim Hammonds <sup>(4)</sup>	38,000	—	—	38,000
Steve Krausz <sup>(5)</sup>	14,663	—	—	14,663
Peter Leav <sup>(6)</sup>	23,440	195,160	219,843	438,443
Dan Levin <sup>(3)</sup>	18,505	84,747	97,708	200,960
Rory O'Driscoll <sup>(3)(7)</sup>	52,065	84,747	97,708	234,520
Josh Stein <sup>(3)(8)</sup>	46,000	84,747	97,708	228,455

- (1) Messrs. Bass and Lazar, and Ms. Mayer did not serve as directors during our fiscal year ended January 31, 2020 and accordingly received no compensation during the year then-ended.
- (2) 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 19, 2020.
- (3) As of January 31, 2020, each of Mses. Barsamian and Evan and Messrs. Levin, O'Driscoll and Stein held an option to purchase 10,632 shares of our Class A common stock and 5,316 RSUs. 100% of the shares of our Class A common stock subject to these options and underlying the RSUs vest on June 19, 2020.
- (4) Ms. Hammonds joined the Board in October 2018 at which time she received initial equity awards under our Outside Director Compensation Policy. Under the Outside Director Compensation Policy, Ms. Hammonds was not eligible to receive additional equity grants in the fiscal year ended January 31, 2020.
- (5) Mr. Krausz resigned from our Board of Directors, effective as of our 2019 Annual Meeting of Stockholders on June 19, 2019.
- (6) Mr. Leav joined our board of directors following our 2019 Annual Meeting of Stockholders, on June 19, 2019. As of January 31, 2020, Mr. Leav held an option to purchase 23,922 shares of our Class A common stock and 11,961 RSUs. The shares of our Class A common stock subject to these options vest in 36 equal, monthly installments beginning with the first monthly anniversary of the grant date. The shares of our Class A common stock underlying the RSUs vest in three annual installments beginning with the first anniversary of the grant date.
- (7) Mr. O'Driscoll will not stand for re-election at the Annual Meeting.
- (8) Mr. Stein will resign from our Board of Directors effective at the conclusion of the Annual Meeting.

Our directors who are also our employees receive no additional compensation for their service as directors. During our fiscal year ended January 31, 2020, Messrs. Levie and Smith were our employees. See the section titled "Executive Compensation" for additional information about the compensation paid to Messrs. Levie and Smith.

## PROPOSAL NO. 1 — ELECTION OF DIRECTORS

Our Board of Directors is currently comprised of twelve members. The size of our Board of Directors will be reduced to nine directors upon the conclusion of the Annual Meeting as two of our directors will not be standing for re-election and another director will be retiring from the Board of Directors effective at the conclusion of the Annual Meeting. 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.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE **FOR** THE ELECTION  
OF THE FOLLOWING DIRECTORS TO THE BOARD:

✓ Sue Barsamian

✓ Carl Bass

✓ Jack Lazar

### Nominees

Our Nominating and Corporate Governance Committee has recommended, and our Board of Directors has approved, Sue Barsamian, Carl Bass, and Jack Lazar as nominees for election as Class III directors at the Annual Meeting. If elected, each of Ms. Barsamian, Mr. Lazar, and Mr. Bass will serve as Class III directors until our 2023 annual meeting of stockholders and until their respective 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 Ms. Barsamian, Mr. Bass, and Mr. Lazar. We expect that each of Ms. Barsamian, Mr. Bass, and Mr. Lazar 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.

### Agreement with Starboard Value LP

In March 2020, the company entered into an agreement with Starboard Value LP and certain of its affiliates (collectively, "Starboard") regarding, among other things, the membership and composition of the Board of Directors and committees thereof (the "Starboard Agreement"). Under the terms of the Starboard Agreement, the company appointed Carl Bass, Jack Lazar, Bethany Mayer to serve on the Board of Directors and agreed to nominate Mr. Bass and Mr. Lazar for election to the Board of Directors as Class III directors at the Annual Meeting. In connection with the Starboard Agreement, Messrs. O'Driscoll and Smith agreed not to stand for re-election as directors at the Annual Meeting, and Mr. Stein agreed to retire from the Board of Directors at the conclusion of the Annual Meeting. With respect to the Annual Meeting, Starboard has agreed to, among other things, vote, subject to certain conditions, all shares of the company's Class A common stock beneficially owned by Starboard in favor of the company's director nominees and in accordance with the Board of Directors' recommendations on all other proposals.

Furthermore, until the earlier of (x) 15 business days prior to the deadline for the submission of stockholder nominations for our 2021 annual meeting of stockholders and (y) 100 days prior to the first anniversary of the Annual Meeting, and provided that Starboard beneficially owns in the aggregate at least the lesser of 3% of the company's then-outstanding Common Stock and 4,560,420 shares of Common Stock (subject to adjustment for stock splits, reclassifications, combinations and similar adjustments) (the "Minimum Ownership Threshold"), Starboard also has certain additional rights to recommend replacement directors that are independent and not an affiliate, employee or director of Starboard and meet other criteria specified in the Starboard Agreement. Pursuant

to the Starboard Agreement, if at any time Starboard beneficially owns less than the Minimum Ownership Threshold, Starboard will no longer have the right to recommend additional replacement directors in the event the directors appointed pursuant to the Starboard Agreement ceases to be a director.

## 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 — 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 officers 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 after this year’s vote will take place at our 2021 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. 3 — RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Our Audit Committee has appointed Ernst & Young LLP (“EY”), independent registered public accountants, to audit our consolidated financial statements for our fiscal year ending January 31, 2021. During our fiscal year ended January 31, 2020, E&Y served as our independent registered public accounting firm.

Notwithstanding the appointment of EY 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 EY as our independent registered public accounting firm for our fiscal year ending January 31, 2021. Our Audit Committee is submitting the appointment of EY 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 EY 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 EY, 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 EY for our fiscal years ended January 31, 2019 and 2020, respectively.

	2019	2020
Audit Fees <sup>(1)</sup>	\$2,840,475	\$2,677,511
Audit-Related Fees <sup>(2)</sup>	\$ 230,838	\$ —
Tax Fees <sup>(3)</sup>	\$ 210,967	\$ 229,912
Total Fees	\$3,282,280	\$2,907,423

- (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, including adoption of Financial Accounting Standards Board, Accounting Standards Codification Section (“ASC Topic”) 842, 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. In addition, fees consist of professional services rendered in connection with our Registration Statements on Form S-8.
- (2) Audit-Related Fees consist of fees related to the performance of the audit or review of our consolidated financial statements that are not reported under “Audit Fees”. This primarily consists of fees for professional services with respect to service organization controls (“SOC”) audits under Statement of Standards for Attestation Engagements (SSAE) No. 18.
- (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.

### 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, EY. Our Audit Committee has determined that the rendering of non-audit services for tax compliance, tax planning and tax consulting advice by EY is compatible with maintaining the independence of EY.

### 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 EY for our fiscal years ended January 31, 2019 and 2020 were pre-approved by our Audit Committee.

## Vote Required

The ratification of the appointment of EY 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.box.com/investors>. 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 periodically reviews and assesses the adequacy of its charter and the Audit Committee’s performance.

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 (“EY”), 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 EY;
- discussed with the independent auditors the matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board (“PCAOB”) and the SEC; and
- received the written disclosures and the letter from EY 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 EY its independence.

Based on the Audit Committee’s review and discussions with management and EY, 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, 2020 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)*

*Kim Hammonds*

*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, 2020. 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.

Name	Age	Position
<b>Aaron Levie</b>	35	Chairman and Chief Executive Officer
<b>Dylan Smith</b>	34	Chief Financial Officer and Director
<b>Stephanie Carullo</b>	51	Chief Operating Officer

*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.

*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.

*Stephanie Carullo* has served as our Chief Operating Officer since August 2017. Prior to joining Box, from June 2016 to August 2017, Ms. Carullo served as an advisor at several privately held companies. From September 2015 to May 2016, Ms. Carullo was Head of Partnerships at Hampton Creek Inc., a food company. From September 2011 to August 2015, Ms. Carullo served as Vice President of U.S. Education Sales at Apple, Inc. Previously, Ms. Carullo served in various go-to-market leadership roles, including Vice President of Data Center and Virtualization Sales at Cisco, and sales leadership, general management, and consulting positions at IBM in Asia. Ms. Carullo holds a Bachelor of Arts Degree with Honors in Economic History from Monash University, Australia.



## 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, 2020, our named executive officers were:

- Aaron Levie, our Chairman and Chief Executive Officer;
- Dylan Smith, our Chief Financial Officer; and
- Stephanie Carullo, our Chief Operating Officer.

### Executive Summary

#### Overview

We maintain the following good executive pay and corporate governance policies and practices:

What we do		What we don't do
✓ Performance-based equity awards. The equity awards granted to our named executive officers in fiscal 2020 consisted entirely of performance-based options.	✗	No single-trigger benefits. We do not provide any payments or benefits that vest or are paid solely upon a change in control.
✓ Modest CEO compensation. Our Chief Executive Officer receives modest short-term compensation.	✗	No guaranteed salary increases. We do not guarantee our named executive officers any salary increases.
✓ Annual Say-on-Pay votes. We hold an annual Say-on-Pay vote, and our Compensation Committee considers the results of the vote when evaluating our executive compensation program.	✗	No special perquisites. We do not provide our named executive officers with perquisites or other personal benefits that are not offered to all other employees.
✓ Minimum stock ownership requirements. We have adopted policies with respect to minimum stock ownership requirements for our named executive officers.	✗	No material tax gross-ups. We do not provide our named executive officers with any tax gross-ups.
✓ Clawback policy. We adopted a policy that allows 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.	✗	No special retirement plans. We do not provide our named executive officers with any special executive retirement plans.

### Fiscal 2020 Performance

Box provides a leading cloud content management platform that enables organizations of all sizes to securely manage their 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 legal and regulatory requirements, internal policies and industry standards and regulations. Box provides a single content platform that accelerates business processes, improves employee productivity and protects an organization’s most valuable data. 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.

In our fiscal year ended January 31, 2020, our improved financial results provide context for stockholders reviewing our executive compensation disclosures, including:

- *Revenue*: Our revenue in fiscal year 2020 was \$696.3 million, an increase of 14% from fiscal year 2019.
- *Non-GAAP Operating Income*: In fiscal year 2020, we achieved our goal of reaching non-GAAP profitability for the first time in company history. Our non-GAAP operating income in fiscal year 2020 was \$9.3 million, or 1% of revenue, an improvement over our prior fiscal year non-GAAP operating loss of \$14.9 million, or 2% of revenue.
- *Non-GAAP Net Income Per Share, Basic and Diluted*: Our non-GAAP net income per share in fiscal year 2020 was \$0.03, an improvement over our prior fiscal year non-GAAP net loss per share of \$0.12.

Revenue and non-GAAP operating income were elements of our incentive compensation plan for fiscal year 2020. 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 19, 2020, for a more detailed discussion of our fiscal year 2020 financial results and, beginning on page 60 of that Annual Report on Form 10-K, a discussion regarding, and reconciliation of, our non-GAAP to GAAP financial measures.

### ***Fiscal 2020 Executive Compensation Highlights***

For our fiscal year ended January 31, 2020, the key highlights of our executive compensation program included:

- Below Market Short-Term CEO Compensation. Throughout his tenure as our Chief Executive Officer, Mr. Levie has expressed a preference to our Compensation Committee that his short-term compensation be modest so we could invest in other areas of the business. Mr. Levie maintained this preference in fiscal year 2020 and as such, his base salary and target total short-term compensation remained well below the 25th percentile in our compensation peer group. Additionally, Mr. Levie has declined to receive equity grants in all but one year since our initial public offering so that any equity awards he would have otherwise been granted in prior fiscal years would be re-allocated to the overall equity budget used for issuance to our employees. Mr. Levie maintained that preference in fiscal year 2020 and did not receive any equity grants (other than with respect to his fiscal year 2020 annual incentive compensation, which was paid out in the form of restricted stock units in lieu of cash).
- Pay for Performance – Annual Incentive Compensation Payouts. A significant portion of our named executive officers’ compensation was in variable incentive compensation to promote our pay for performance philosophy. Awards earned under this incentive compensation plan were calculated in dollar amounts (based on 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) and were then converted and paid out in immediately-vested restricted stock units having an equivalent cash value to the award earned. While we exceeded each of the corporate goals linked to our incentive compensation plan for fiscal year 2020, our Compensation Committee elected to reduce the payout amounts in light of our performance in the quarter ended January 31, 2020.
- Peer Group. We modified our compensation peer group to add four new companies and remove five former members of the compensation peer group that had been acquired or were no longer relevant. Consistent with best practices, the four new companies were selected based on their revenue, market capitalization and growth trajectory when the compensation peer group was determined.
- Increases to Target Short-Term Compensation. In fiscal year 2020, we maintained the target bonus percentages of our named executive officers. We increased Mr. Smith’s base salary, raising his overall target short-term compensation, to be more competitive with similarly situated executives of our compensation peer group. Although Mr. Levie’s short-term compensation was well below comparable compensation for the CEOs of our peer group in fiscal year 2020, Mr. Levie continued to prefer to receive modest short-term compensation and declined our Compensation Committee’s recommendation to increase his target bonus percentage and base salary.
- Performance-based Stock Options. As in many prior years, in fiscal year 2020, Mr. Levie requested that any equity awards he would have otherwise been granted be re-allocated to the overall equity budget used for issuance to our employees. To further align our stockholders’ interests with Mr. Smith’s and Ms. Carullo’s interests, stock options were granted in the form of performance-based stock options to

Mr. Smith and Ms. Carullo in fiscal year 2020. The awards increased Mr. Smith's and Ms. Carullo's respective total unvested equity to a level competitive with that provided by companies in our compensation peer group. These performance-based stock options vest only to the extent that both the performance-based and time-based conditions are satisfied. The performance-based vesting condition will be satisfied if, before the four-year anniversary of the grant date, the closing price of our Class A common stock is closed at a level 25% higher than the 30-trading day trailing average prior to the grant date for 30 consecutive trading days prior to the four-year anniversary of the grant date. The time-based vesting condition will be satisfied over the following four-year schedule: 1/4th of the vesting condition is satisfied on March 20, 2020, and the remaining 1/48th of the option's time-based vesting condition is satisfied monthly thereafter, subject to continued employment through each such date.

### **Compensation Philosophy**

Our executive compensation program is structured to provide compensation plans, policies, and programs that attract and retain the best talent 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:

<b>Element</b>	<b>Reasons for Providing Element</b>
Base Salary	Provide our named executive officers compensation for their services based on their knowledge, skills, past performance, and experience
Variable 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 to maximize stockholder value

### **Impact of 2019 Stockholder Advisory Vote on Compensation of Named Executive Officers**

We conducted a Say-on-Pay vote at our 2019 annual meeting of stockholders. Approximately 94.35% 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 2020, our Compensation Committee considered the results and maintained 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.

### **Involvement of Management**

In fiscal year 2020, typically, our Chief Executive Officer, Chief Financial Officer, Chief People Officer and our General Counsel, and certain other management team members, attended Compensation Committee meetings and were involved in the determination of compensation for our other executive officers. These senior executive officers made recommendations to our Compensation Committee regarding short-term and long-term compensation for all executive officers (other than with respect to their own compensation) based on our results, an individual executive officer's contribution toward these results, and each individual's performance against their individual goals. Our Compensation Committee then reviewed the recommendations and other data provided by outside compensation advisors and management and made decisions as to compensation for each executive officer.

## Use of Outside Advisors

Our Compensation Committee is authorized to retain the services of executive compensation advisors, as it sees fit, for the establishment of our compensation programs and related policies. For our fiscal year ended January 31, 2020, 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. Compensia 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 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 2019, which included Mr. Smith's base salary increase and our named executive officers' equity awards approved in April 2019, our compensation peer group was made up of publicly-traded companies in the software & services industry that generally had revenues between \$200 million and \$1.1 billion, experienced strong year-over-year growth in revenue, and had a market capitalization between \$1 billion and \$9 billion.

In July 2019, our Compensation Committee re-analyzed our compensation peer group to inform its executive compensation review and, in light of the growth in size of three companies and the acquisition of two companies in our peer group, removed five companies from and added four new companies to our compensation peer group. This modified compensation peer group is made up of publicly-traded companies in the software & services industry that generally had revenues between \$240 million and \$1.5 billion, experienced strong year-over-year growth in revenue, and had a market capitalization between \$880 million and \$8.8 billion. The two compensation peer groups used in fiscal year 2020 were:

Compensation Peer Group Entering Fiscal Year 2019		Compensation Peer Group Revised in Fiscal Year 2020 for Decisions after June 2019
Benefitfocus, Inc.		Benefitfocus, Inc.
Cloudera, Inc.		Cloudera, Inc.
Cornerstone OnDemand Inc.		Cornerstone OnDemand Inc.
DocuSign, Inc.		DocuSign, Inc.
FireEye, Inc.		FireEye, Inc.
	Added	ForeScout Technologies, Inc.
Guidewire Software, Inc.		Guidewire Software, Inc.
Hortonworks, Inc.	Removed	
HubSpot, Inc.		HubSpot, Inc.
Imperva Inc.	Removed	
LogMeIn, Inc.		LogMeIn, Inc.
New Relic, Inc.		New Relic, Inc.
Nutanix, Inc.		Nutanix, Inc.
Okta, Inc.		Okta, Inc.
Pivotal Software, Inc.		Pivotal Software, Inc.
Proofpoint Inc.		Proofpoint Inc.
RingCentral, Inc.		RingCentral, Inc.
	Added	SecureWorks Corp.
	Added	SVMK Inc.
Tableau Software Inc.	Removed	
Twilio Inc.	Removed	
Yelp Inc.	Removed	
Zendesk, Inc.		Zendesk, Inc.
	Added	Zuora, 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 elements of compensation for our named executive officers, our Compensation Committee reviewed base salary, target annual incentive compensation opportunity, target total short-term 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. Compensation provided data at the 25th, 50th, 60th, and 75th percentiles for such compensation, and our Compensation Committee used this data as a reference. 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 considering such other factors as each of our named executive officers' contributions, 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, 2020.

### Base Salary

Base salary is the main fixed element of our named executive officers' short-term 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 considering 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 April 2019, Mr. Smith received an increase in base salary from \$350,000 to \$370,000 to be more competitive with similarly situated executives at the companies in our compensation peer group. Our Compensation Committee did not make any adjustments to the base salaries of our other named executive officers.

The base salaries of our named executive officers are listed in the table below.

Named Executive Officer	Base Salary Entering Fiscal 2020	Base Salary Effective April 1, 2019
Mr. Levie	\$180,000	\$180,000
Ms. Carullo	\$370,000	\$370,000
Mr. Smith	\$350,000	\$370,000

The total base salaries paid to our named executive officers during our fiscal year ended January 31, 2020 are listed in the "Summary Compensation Table for Fiscal Year 2020" below.

### Non-Equity Incentive Plan Compensation

We use performance-based 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 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. Payments under our incentive compensation plan may be made in cash or cash equivalents at the discretion of our Compensation Committee.

#### Fiscal Year 2020 Bonus Plan.

- *Overview & Structure.* In April 2019, our Compensation Committee adopted and approved the performance criteria and targets for fiscal year 2020 under our omnibus Executive Incentive Plan (the

“Fiscal 2020 Executive Bonus Plan”). Effective April 2019, the Fiscal 2020 Executive Bonus Plan provided for potential performance-based incentive payouts to all non-sales employees at the grade of director or higher, including our named executive officers.

The Fiscal 2020 Executive Bonus Plan provided opportunities for 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 by senior management. The Fiscal 2020 Executive Bonus Plan provided for an annual performance period with annual payouts and was designed this way because it gave our Compensation Committee a full year to assess performance against our annual operating plan.

- *Target Annual Incentive Compensation Opportunities.* In April 2019, 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 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 2020, our Compensation Committee maintained the percentages for our named executive officers from those determined for fiscal year 2019.

The target annual incentive compensation opportunities established for fiscal year 2020 for our named executive officers us were:

Named Executive Officer	Fiscal Year 2020 Target Annual Incentive Compensation Opportunity (as a % of base salary for Fiscal 2020)	Fiscal Year 2020 Target Annual Incentive Compensation Opportunity
Mr. Levie	55%	\$ 99,000
Ms. Carullo	55%	\$203,500
Mr. Smith	55%	\$201,722

- *Corporate Performance Measures.* To measure performance for the Fiscal 2020 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 other special items. Each element was weighted equally under the Fiscal 2020 Executive Bonus Plan.

The targets required for 100% achievement under our Fiscal 2020 Executive Bonus Plan and our results were:

Performance Measure	Target (in millions)	Result (in millions)	Achievement of Target
Revenue	\$702.0	\$696.3	99.2%
Non-GAAP Operating Income	\$ 0.7	\$ 9.3	1,296.4%

- *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 were eligible for annual incentive compensation payouts with respect to the revenue component only if we met or exceeded 95% of the

revenue target for our fiscal year ended January 31, 2020 and with respect to the non-GAAP operating income component only if we met or exceeded 80% of the non-GAAP operating income target for our fiscal year ended January 31, 2020. High thresholds are required to ensure that significant achievement is prerequisite to receive any incentive payment. With respect to the revenue component, achievement percentage equals payment percentage until 103% achievement, and achievement over 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 at 80% equals a payout percentage of 25%, and the payout percentage is increased (1) by 3.75 percentage points for each point of performance above 80% (until a payout percentage of 100% for performance at 100%) and (2) by two-thirds of a percentage point for each 5 points of performance above 100%, up to a maximum payout percentage of 110%.

- *Caps on Payment.* 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.
- *Performance in Fiscal Year 2020 and Related Payout.* For fiscal year 2020, we exceeded the Fiscal 2020 Executive Bonus Plan as follows: (1) approximately 99.2% achievement in revenue and (2) approximately 1,296.4% achievement in non-GAAP operating income. The revenue measure achievement resulted in a payout percentage of 99.2% 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 104.6%. In light of corporate performance for the quarter ended January 31, 2020, the Compensation Committee exercised its discretion to adjust the payouts for our named executive officers down to approximately 50% of their bonus targets. The intended values of the total payouts to our named executive officers under the Fiscal 2020 Executive Bonus Plan were:

Named Executive Officer	Target Annual Incentive Compensation Opportunity	Actual Incentive Compensation
Mr. Levie	\$ 99,000	\$ 49,500
Ms. Carullo	\$203,500	\$101,750
Mr. Smith	\$201,722	\$100,861

The payouts were made in the form of fully vested restricted stock units. The number of restricted stock units each named executive officer received equaled the dollar value of his or her actual award payment divided by the average closing price of a share of our Class A common stock for the 30-trading day period ending the trading date before the grant date.

The actual values of the incentive awards earned by our named executive officers under the Fiscal 2020 Executive Bonus Plan are listed in the “Non-Equity Incentive Plan Compensation” column of the “Summary Compensation Table for Fiscal Year 2020” below. As described above and in the footnotes to the 2020 Summary Compensation Table, each earned incentive award was paid in the form of fully vested restricted units for fiscal years 2019 and 2020, and the grant date fair values of these fully vested restricted stock units (which represent the values ultimately received by our named executive officers) are listed in the “Grants of Plan-Based Awards in Fiscal Year 2020” table below. Since the intended payout values above were converted into a number of restricted stock units based on the 30-trading day average closing price described above, the grant date fair values (which were instead calculated based on the closing price of our Class A common stock on the date the restricted stock units were granted, in accordance with FASB ASC Topic 718) are different from the payout values.

### Equity Awards

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

The Compensation Committee determines the size of the equity awards we grant to our named executive officers in connection with their hire through arm's-length negotiation, considering such factors as the prevailing market conditions, market data for new-hire awards, the named executive officer's expected short-term 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 for promotions, as additional incentive to continue service with us, or to recognize exceptional corporate and individual performance. The Compensation Committee 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 considers 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; and internal equity considerations.

In April 2019, 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 granted annual equity awards to Mr. Smith and Ms. Carullo 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 performance-based stock option covering 300,000 shares to Mr. Smith, and (ii) a performance-based stock option covering 200,000 shares to Ms. Carullo. Mr. Levie requested that any equity awards he would have otherwise been granted be re-allocated to the overall equity budget for issuance to our employees.

Mr. Smith and Ms. Carullo received performance-based stock options (instead of receiving awards of restricted stock units) because the Compensation Committee believed it appropriate to more directly tie their incentive opportunity to increases in stockholder value. These performance-based stock options vest only to the extent that both the performance-based and time-based conditions are satisfied. The performance-based vesting condition will be satisfied if, before the four-year anniversary of the grant date, the closing price of our Class A common stock is closed at a level 25% higher than the 30-trading day trailing average prior to the grant date for 30 consecutive trading days prior to the four-year anniversary of the grant date. The time-based vesting condition will be satisfied over the following four-year schedule: 1/4th of the vesting condition is satisfied on March 20, 2020, and the remaining 1/48th of the option's time-based vesting condition is satisfied monthly thereafter, subject to continued employment through each such date.

### ***Employee Benefit Plans***

Our named executive officers participate in our employee benefits programs on the same terms as our other U.S.-based, full-time employees with no special executive programs.

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 made.

We maintain other welfare benefit plans, including 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 we compete with for employees. For our fiscal year ended January 31, 2020, we also paid certain amounts on behalf of our named executive officers for basic life insurance, as indicated in the "Summary Compensation Table for Fiscal Year 2020" below.



### ***Perquisites and Other Personal Benefits***

We currently 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.

### ***Stock Ownership Guidelines and Clawback Policy***

Our Board of Directors believes that our directors and named executive officers should hold a meaningful financial stake in the company in order to further align their interests with those of our stockholders. As such, our Board of Directors adopted stock ownership guidelines in December 2019. Under these guidelines, our executive officers and non-employee directors are required to achieve these ownership levels within the later of (i) five years of such individual's appointment, election or promotion date, as applicable, and (ii) July 2, 2024. A full description of our current stock ownership guidelines is available on our website at <http://www.box.com/investors> and are summarized as follows:

- Each non-employee director must own company stock with a value of three times the annual cash retainer for Board service;
- Our Chief Executive Officer must own company stock with a value of four times his/her annual base salary; and
- All other named executive officers (except for the Chief Executive Officer) must own company stock with a value of one times his/her annual base salary.

As of January 31, 2020, all of our directors and named executive officers met, exceeded, or are on track to meet these ownership guidelines within the time frames set out above based on their respective rates of stock accumulation.

### ***Clawback Policy***

In December 2019, our Board also adopted a clawback policy (the "Clawback Policy") permitting the company to seek the recovery of cash-based incentive compensation or performance-based equity compensation paid to certain current and former officers of the company who are subject to Section 16 of the Securities Exchange Act of 1934. The Clawback Policy provides that the company may seek recovery if (i) the company materially restates all or a portion of its financial statements; (ii) the amount of cash incentive compensation or performance-based equity compensation that was paid or is payable based on achievement of financial or operating results paid to a participant would have been less if the financial statements had been correct at the time the incentive compensation was originally calculated or determined; (iii) no more than three years have elapsed since the original filing date of the financial statements upon which the incentive compensation was calculated or determined; and (iv) the Compensation Committee concludes, in its sole discretion, that the gross negligence, intentional misconduct or fraud by such participant caused or partially caused the material restatement of all or a portion of the financial statement(s) and that such participant should repay to the company all of the recoverable compensation.

## Insider Trading Policy and Use of 10b5-1 Trading Plans

Our insider trading policy prohibits all directors and 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, 2020, Messrs. Levie and Smith had active 10b5-1 trading plans.

## Tax and Accounting Considerations

### ***Deductibility of Executive Compensation***

Section 162(m) of the Internal Revenue Code of 1986 (“Section 162(m)”), as amended, limits the amount we may deduct from our federal income taxes for compensation paid to any person who has served as our CEO, CFO, and each of our next three most highly compensated executive officers (“covered employees”) to \$1 million per executive. While our compensation committee is mindful of the benefit of being able to fully deduct the compensation paid to our executives, our compensation committee believes that we should retain the flexibility to compensate our executive officers in a manner that can best promote our business objectives. Therefore, our compensation committee intends to continue to compensate our executives in a manner consistent with the best interests of our company and our stockholders, even if such compensation is not fully deductible.

### ***“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, 2020, we did not provide (and had no agreements or obligations to provide) any of our named executive officers with a “gross-up” payment or other reimbursement for any excise tax liability he or she might owe under Section 4999 or for any additional tax he or she 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. Our Compensation Committee considers the accounting expense associated with equity awards. Even though our named executive officers and directors may realize no 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 do not believe that our executive compensation program creates risks that are reasonably likely to have a material adverse effect on us.

## How We Manage Risks Related to Our Compensation Program

### Incentive compensation aligned with creation of long-term value for stockholders

- Payouts under our Fiscal 2020 Executive Bonus Plan are based on achievement of revenue and non-GAAP operating income targets. These performance measures support our annual operating plan and create incentives for our named executive officers to create long-term value for our stockholders.
- The options granted to our named executive officers in fiscal 2020 include a performance-based vesting condition that requires the closing price of our Class A common stock to close at a level 25 percent higher than the 30-trading day trailing average prior to the grant date for 30 consecutive trading days prior to the four-year anniversary of the grant date. As a result, in order for our named executive officers to be able to vest in and realize value from these options, they must create significant sustained value for our stockholders.

### Clawback Policy

- Our Clawback Policy applies to certain current and former officers of the company who are subject to Section 16 of the Exchange Act.
- Under the Clawback Policy, cash-based incentive compensation or performance-based equity compensation may be recovered from covered individuals if:
  - the company materially restates all or a portion of its financial statements;
  - the amount of cash incentive compensation or performance-based equity compensation that was paid or is payable based on achievement of financial or operating results paid to a participant would have been less if the financial statements had been correct at the time the incentive compensation was originally calculated or determined;
  - no more than three years have elapsed since the original filing date of the financial statements upon which the incentive compensation was calculated or determined; and
  - the Compensation Committee concludes, in its sole discretion, that the gross negligence, intentional misconduct or fraud by such participant caused or partially caused the material restatement of all or a portion of the financial statement(s) and that such participant should repay to the company all of the recoverable compensation.

### Hedging and pledging policies

- Our insider trading policy prohibits all directors and 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.
- These policies are intended to prevent a misalignment, or appearance of misalignment, of interests with stockholders.

### Stock ownership guidelines

- Our executive officers and non-employee directors are required to achieve levels of ownership of company stock with the following values within the later of (i) five years of such individual's appointment, election or promotion date, as applicable, and (ii) July 2, 2024:
  - Non-employee directors: three times the annual cash retainer for Board service
  - Chief Executive Officer: four times annual base salary
  - Other named executive officers: one times annual base salary.
- As of January 31, 2020, all of our directors and named executive officers met, exceeded, or are on track to meet these ownership guidelines within the time frames set out above based on their respective rates of stock accumulation.

### ***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, 2020.

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

- Josh Stein (Chair)
- Sue Barsamian
- Dana Evan
- Peter Leav

## Summary Compensation Table for Fiscal Year 2020

Name and Principal Position	Year	Salary(\$)	Bonus(\$)	Stock Awards(\$) <sup>(1)</sup>	Option Awards(\$) <sup>(1)</sup>	Non-Equity Incentive Plan Compensation (\$) <sup>(2)</sup>	All Other Compensation (\$) <sup>(3)</sup>	Total Compensation (\$)
<b>Aaron Levie</b> <i>Chief Executive Officer</i>	2020	180,000	—	—	—	52,426	289	232,715
	2019	180,000	—	—	3,168,000	—	231	3,348,231
	2018	180,000	—	—	—	95,000	200	275,200
<b>Stephanie Carullo</b> <i>Chief Operating Officer</i>	2020	370,000	—	—	1,600,000	107,765	308	2,078,073
	2019	370,000	—	—	—	133,054	496	503,550
	2018	185,000	—	3,802,000	3,074,040	108,000	139	7,169,179
<b>Dylan Smith</b> <i>Chief Financial Officer</i>	2020	366,667	—	—	2,400,000	106,824	308	2,873,899
	2019	348,333	—	—	1,980,000	125,569	296	2,454,198
	2018	333,333	—	—	3,029,648	175,000	179	3,538,160

- (1) The amounts reported represent the grant date fair value of the awards granted to the named executive officers during fiscal years 2020, 2019 and 2018 (other than the restricted stock units granted in settlement of incentive compensation awards under the Executive Incentive Plan for fiscal years 2020 and 2019, which are included in the "Non-Equity Incentive Plan Compensation" column) 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, 2020. The performance-based stock options granted to Messrs. Levie and Smith in fiscal year 2019 and to Mr. Smith and Ms. Carullo in fiscal year 2020 provide that the options will become eligible to vest according to the time-based vesting schedule if the applicable performance condition is met; assuming the performance condition is met, the actual level of performance does not otherwise determine the number of shares subject to the options that may vest. For fiscal year 2018 and fiscal year 2020, Mr. Levie requested that any equity awards he would have otherwise been granted be re-allocated to the overall equity budget for issuance to our employees. Our Compensation Committee honored his request and, as such, he did not receive any equity awards in fiscal year 2018 or fiscal year 2020.
- (2) The amounts reported represent incentive compensation awards earned in fiscal years 2020, 2019, and 2018 by the named executive officers under the Executive Incentive Plan. The material terms of the incentive compensation awards are described in the section titled "Executive Compensation Program Elements—Non-Equity Incentive Plan Compensation." In fiscal years 2020 and 2019, the incentive compensation awards were paid in the form of fully vested restricted stock units, and the amounts reported reflect the grant date fair value of such restricted stock units, as computed in accordance with FASB ASC Topic 718. The number of such restricted stock units granted is set forth in "Grants of Plan-Based Awards in Fiscal Year 2020" table below. For fiscal year 2018, the earned amounts were paid in cash. In fiscal year 2019, Mr. Levie declined to receive a payout under the Executive Incentive Plan.
- (3) The amounts reported represent amounts paid on behalf of the named executive officers for basic life insurance.

## Grants of Plan-Based Awards in Fiscal Year 2020

The following table sets forth information regarding grants of plan-based awards made to our named executive officers during fiscal year 2020.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under 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 (\$) <sup>(2)</sup>
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#) <sup>(1)</sup>	Maximum (#)				
<b>Aaron Levie</b>	—	—	99,000 <sup>(3)</sup>	—	—	—	—	—	—	—	—
	—	—	203,500 <sup>(3)</sup>	—	—	—	—	—	—	—	—
	—	—	201,722 <sup>(3)</sup>	—	—	—	—	—	—	—	—
<b>Stephanie Carullo</b>	04/03/19	—	—	—	—	—	—	6,613 <sup>(4)</sup>	—	—	133,054 <sup>(5)</sup>
	04/03/19	—	—	—	—	200,000	—	—	—	20.12	1,600,000 <sup>(6)</sup>
	—	—	—	—	—	—	—	—	—	—	—
<b>Dylan Smith</b>	04/03/19	—	—	—	—	—	—	6,241 <sup>(4)</sup>	—	—	125,569 <sup>(5)</sup>
	04/03/19	—	—	—	—	300,000	—	—	—	20.12	2,400,000 <sup>(6)</sup>
	—	—	—	—	—	—	—	—	—	—	—

- (1) The amounts reported represent the shares underlying performance-based stock options granted to Mr. Smith and Ms. Carullo in fiscal year 2020, each of which provides only for a single estimated payout. There is no threshold amount for these performance-based stock options because if the performance condition is not met, then no options will vest and all will be forfeited. Once the performance condition is met, shares subject to these performance-based stock options will be subject only to service-based vesting.
- (2) 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, 2020.
- (3) There is no threshold amount under our Fiscal 2020 Executive Bonus Plan because our Compensation Committee exercises discretion to determine the actual payouts and, therefore, there is no minimum amount payable for a certain level of performance.

- (4) The amounts reported represent the number of fully vested restricted stock units issued in settlement of the incentive awards earned by Ms. Carullo and Mr. Smith under the Fiscal 2020 Executive Bonus Plan.
- (5) The amounts reported represent the grant date fair value of the fully vested restricted stock units issued in settlement of the incentive awards earned by Ms. Carullo and Mr. Smith under the Fiscal 2020 Executive Bonus Plan, as computed in accordance with FASB ASC Topic 718.
- (6) The amounts reported represent the grant date fair value of the performance stock options granted to Ms. Carullo and Mr. Smith under the Fiscal 2020 Executive Bonus Plan, as computed in accordance with FASB ASC Topic 718.

## Outstanding Equity Awards at 2020 Fiscal Year-End

The following table provides information regarding equity awards held by our named executive officers as of January 31, 2020.

Name	Grant Date	Option Awards					Stock Awards	
		Number of Securities Underlying Unexercised Exercisable Options (#)	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options	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 (\$) <sup>(1)</sup>
Aaron Levie	07/15/2010 <sup>(2)</sup>	588,841	—	—	0.29	07/14/2020	—	—
	04/07/2011 <sup>(2)</sup>	25,000	—	—	0.59	04/06/2021	—	—
	04/02/2012 <sup>(2)</sup>	770,000	—	—	1.16	04/01/2022	—	—
	04/02/2012 <sup>(2)</sup>	410,000	—	—	4.00	04/01/2022	—	—
	04/02/2012 <sup>(2)</sup>	410,000	—	—	4.00	04/01/2022	—	—
	04/27/2012 <sup>(2)</sup>	410,000	—	—	4.00	04/26/2022	—	—
	04/10/2018 <sup>(3)</sup>	—	—	400,000	20.28	04/10/2028	—	—
Stephanie Carullo	08/01/2017 <sup>(4)</sup>	241,666	158,334	—	19.01	08/01/2027	—	—
	08/01/2017 <sup>(5)</sup>	—	—	—	—	—	87,500	1,315,125
Dylan Smith	04/03/2019 <sup>(6)</sup>	—	—	200,000	20.12	04/03/2029	—	—
	04/07/2011 <sup>(2)</sup>	17,362	—	—	0.59	04/06/2021	—	—
	04/01/2012 <sup>(2)</sup>	140,000	—	—	1.16	03/31/2022	—	—
	04/01/2012 <sup>(2)</sup>	240,000	—	—	1.16	03/31/2022	—	—
	02/07/2013 <sup>(2)</sup>	140,000	—	—	4.63	02/06/2023	—	—
	04/03/2014 <sup>(2)</sup>	140,000	—	—	17.85	04/02/2024	—	—
	01/02/2015 <sup>(2)</sup>	120,000	—	—	14.05	01/02/2025	—	—
	06/18/2015 <sup>(2)</sup>	34,000	—	—	17.52	06/18/2025	—	—
	04/09/2017 <sup>(7)</sup>	159,374	65,626	—	16.68	04/09/2027	—	—
	04/09/2017 <sup>(8)</sup>	159,374	65,626	—	16.68	04/09/2027	—	—
04/10/2018 <sup>(3)</sup>	—	—	250,000	20.28	04/10/2028	—	—	
04/03/2019 <sup>(6)</sup>	—	—	300,000	20.12	04/03/2029	—	—	

- (1) This column represents the market value of the shares underlying the RSUs or restricted stock as of January 31, 2020, based on the closing price of our Class A common stock, as reported on the NYSE, of \$15.03 per share on January 31, 2020.
- (2) The stock option is fully vested and exercisable.
- (3) One fourth of the shares subject to the option vested on March 20, 2019, and one forty-eighth of the shares vest monthly thereafter, subject to both (i) continued service to Box through each applicable vesting date, and (ii) prior to April 11, 2022, the closing stock price of our Class A common stock having closed at or above \$28.00 for 30 consecutive trading days. If the performance condition in clause (ii) is not met prior to April 11, 2022, then no options will vest and all will be forfeited. The performance condition in clause (ii) need only be met one time prior to April 11, 2022 in order for it to be satisfied. If the performance condition is achieved, the options will expire on the 10th anniversary of the grant date.
- (4) One fourth of the shares subject to the option vested on August 1, 2018 and one forty-eighth of the shares vest monthly thereafter, subject to continued service to us.
- (5) One fourth of the shares underlying the RSUs vested on September 20, 2018 and one-sixteenth of the shares vest quarterly thereafter, subject to continued service to us.
- (6) One fourth of the shares subject to the option vested on March 20, 2020 and one forty-eighth of the shares vest monthly thereafter, subject to both (i) continued service to Box through each applicable vesting date, and (ii) the closing stock price of our Class A common stock must have closed at a level 25% higher than the 30-trading day trailing average closing price prior to April 3, 2019, for 30 consecutive trading days prior to April 4, 2023. If the performance condition in clause (ii) is not met prior to April 4, 2023, then no options will vest and all will be forfeited. The performance condition in clause (ii) need only be met one time prior to April 4, 2023 in order for it to be satisfied. If the performance condition is achieved, the options will expire on the 10th anniversary of the grant date.
- (7) One fourth of the shares subject to the option vested on March 20, 2018 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, 2018 and one forty-eighth of the shares vest monthly thereafter, subject to (i) continued service to us and (ii) prior to the fourth anniversary of the grant date, the closing stock price of our Class A common stock having maintained a level that is 25% higher than the option's per share exercise price (rounded down to the nearest whole penny) for a period of 30 consecutive trading days. The performance condition in clause (ii) has been satisfied.

## Option Exercises and Stock Vested in Fiscal Year 2020

The following table sets forth the number of shares of common stock acquired during our fiscal year 2020 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 (\$) <sup>(1)</sup>	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) <sup>(2)</sup>
Aaron Levie	—	—	—	—
Stephanie Carullo	—	—	56,613	1,045,924
Dylan Smith	—	—	6,241	122,261

- (1) The value realized on exercise is the difference between the market price of the shares of our common stock underlying the options when exercised and the applicable exercise price.
- (2) 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, 2020.

## Potential Payments upon Termination or Change of Control

We have entered into change in control and severance agreements (“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. 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.

The descriptions that follow describe such payments and benefits that may be owed by us to each of our named executive officers upon the named executive officer’s termination under certain circumstances, pursuant to the named executive officer’s change in control agreement.

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,” such named executive officer will receive the following:

- a lump-sum payment of 12 months of base salary;
- a lump-sum payment equal to 100% of his or her target bonus;
- paid COBRA benefits for 12 months; and
- 100% 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 or her 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 or her duties after notice and a cure period.

For the purpose of the change in control agreements with Messrs. Levie 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 Ms. Carullo, “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 due to the company being part of a larger entity where the named executive officer assumes similar functional duties;
- 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 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 year 2020 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, 2020, 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 <sup>(1)</sup>	—	—
	Stock Awards <sup>(2)</sup>	—	—
	Health Coverage <sup>(3)</sup>	18,691	9,346
	Total	297,691	99,346
Stephanie Carullo	Salary	370,000	185,000
	Bonus	203,500	—
	Stock Options <sup>(1)</sup>	—	—
	Stock Awards <sup>(2)</sup>	1,315,125	—
	Health Coverage <sup>(3)</sup>	15,293	7,647
	Total	1,903,918	192,647
Dylan Smith	Salary	370,000	185,000
	Bonus	201,722	—
	Stock Options <sup>(1)</sup>	—	—
	Stock Awards <sup>(2)</sup>	—	—
	Health Coverage <sup>(3)</sup>	21,586	10,793
	Total	593,308	195,793

- (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 the New York Stock Exchange on January 31, 2020, which was \$15.03 per share. Does not reflect any dollar value associated with the acceleration of unvested stock options with exercise prices in excess of \$15.03 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, 2020, which was \$15.03 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.

## CEO Pay Ratio

Under SEC rules, we are required to provide the following information regarding the relationship between the annual total compensation of Mr. Levie, our Chairman and Chief Executive Officer, and the median annual total compensation of our employees (other than Mr. Levie) for fiscal year 2020:

- Mr. Levie’s annual total compensation, as reported in the “Summary Compensation Table for Fiscal Year 2020” table included in this proxy statement, was \$232,715.
- The median of the annual total compensation of all employees (other than Mr. Levie) of the company (including our consolidated subsidiaries) was \$192,188.
- Based on the above, for fiscal year 2020, the ratio of Mr. Levie’s annual total compensation to the median of the annual total compensation of all employees was 1.21 to 1.

This pay ratio is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K under the Securities Act of 1933, as amended.

We determined the median of the annual total compensation of our employees as of January 31, 2020, at which time we had approximately 2,046 full-time and part-time regular employees globally, approximately 85% of whom are U.S.-based employees, and approximately 15% of whom are located outside of the United States. We elected to identify a new median employee for this disclosure in this year's proxy statement because our 2019 median employee was promoted and, therefore, we reasonably believed that continuing to use such employee's compensation would have resulted in less accurate and relevant pay ratio disclosure. We compared the annualized base salaries, bonuses earned, commissions earned and equity compensation of our employees (other than Mr. Levie) to determine the new median employee. Once we identified our new median employee, we estimated such employee's annual total compensation in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K, yielding the median annual total compensation disclosed above. With respect to the annual total compensation of Mr. Levie, we used the amount reported in the "Total Compensation" column in the "Summary Compensation Table for Fiscal Year 2020" table included in this proxy statement.

## EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes our equity compensation plan information as of January 31, 2020. Information is included for equity compensation plans approved by our stockholders. We do not have any equity compensation plans not approved by our stockholders.

Plan Category	Class of Common Stock	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights <sup>(1)</sup>	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) <sup>(2)</sup>
Equity compensation plans approved by stockholders	Class A	8,772,585	\$9.48	21,758,670
Equity compensation plans not approved by stockholders		—	—	—
<b>Total</b>	<b>Class A</b>	<b>8,772,585</b>	<b>\$9.48</b>	<b>21,758,670</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> Includes: 19,832,054 shares from the Box, Inc. 2015 Equity Incentive Plan (2015 Plan) and 1,926,616 shares from the 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, 2020, the number of shares of Class A common stock available for issuance under our 2015 Plan and our ESPP increased by 7,530,570 shares and 1,506,114, respectively, pursuant to these provisions. These increases are not reflected in the table above.

## 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, 2020 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;
- 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 153,100,460 shares of our Class A common stock outstanding as of March 31, 2020. 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, 2020 and issuable upon the vesting of RSUs held by the person within 60 days of March 31, 2020. 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.

Name of Beneficial Owner	Number of Class A Shares Beneficially Owned	Percent of Class A Shares Beneficially Owned
<b>5% Stockholders:</b>		
The Vanguard Group, Inc. <sup>(1)</sup>	16,715,514	10.9%
Starboard Value LP <sup>(2)</sup>	11,774,546	7.7%
BlackRock, Inc. <sup>(3)</sup>	11,164,870	7.3%
<b>Named Executive Officers and Directors:</b>		
Aaron Levie <sup>(4)</sup>	5,184,861	3.4%
Dylan Smith <sup>(5)</sup>	2,358,421	1.5%
Stephanie Carullo <sup>(6)</sup>	363,825	*
Sue Barsamian <sup>(7)</sup>	18,093	*
Carl Bass	—	*
Dana Evan <sup>(8)</sup>	157,981	*
Kim Hammonds <sup>(9)</sup>	10,540	*
Jack Lazar <sup>(10)</sup>	1,759	*
Peter Leav <sup>(11)</sup>	7,309	*
Dan Levin <sup>(12)</sup>	1,471,887	1.0
Bethany Mayer	—	*
Rory O'Driscoll <sup>(13)</sup>	96,140	*
Josh Stein <sup>(14)</sup>	236,617	*
All current executive officers and directors as a group (13 persons) <sup>(15)</sup>	9,907,433	6.2%

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

(1) According to a Schedule 13G/A filed with the SEC on February 12, 2020, The Vanguard Group, Inc. ("Vanguard"), as investment advisor, has sole voting power with respect to 303,513 of the reported shares, shared voting power with respect to 22,201 of the reported shares, sole dispositive power with respect to 16,409,346 of the reported shares and shared dispositive power with respect to 306,168 of the

reported shares. Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of Vanguard, is the beneficial owner of 283,967 shares of the reported shares as a result of its serving as investment manager of collective trust accounts. Vanguard Investments Australia, Ltd., a wholly-owned subsidiary of Vanguard, is the beneficial owner of 41,747 shares of the reported shares as a result of its serving as investment manager of Australian investment offerings. The address of Vanguard is 100 Vanguard Blvd., Malvern, Pennsylvania 19355.

- (2) According to a Schedule 13D/A filed with the SEC on March 23, 2020. Starboard Value and Opportunity Master Fund Ltd (“Starboard V&O Fund”) has sole voting and dispositive power with respect to 7,249,341 of the reported shares. Starboard Value and Opportunity S LLC (“Starboard S LLC”) has sole voting and dispositive power with respect to 1,173,357 of the reported shares. Starboard Value and Opportunity C LP (“Starboard C LP”) has sole voting and dispositive power with respect to 676,215 of the reported shares. Starboard Value and Opportunity Master Fund L LP (“Starboard L Master”), has sole voting and dispositive power with respect to 642,125 of the reported shares. Starboard Value LP has sole voting and dispositive power with respect to 2,033,508 of the reported shares held in its own account. Starboard Value R LP (“Starboard R LP”) is the general partner of Starboard C LP. Starboard Value L LP (“Starboard L GP”) is the general partner of Starboard L Master. Starboard Value R GP LLC (“Starboard R GP”) is the general partner of Starboard R LP and Starboard L GP. Starboard Value LP is the investment manager of Starboard V&O Fund, Starboard C LP and Starboard L Master and the manager of Starboard S LLC. Starboard Value GP LLC (“Starboard Value GP”) is the general partner of Starboard Value LP. Starboard Principal Co LP (“Principal Co”) is a member of Starboard Value GP. Starboard Principal Co GP LLC (“Principal GP”) is the general partner of Principal Co. Jeffrey C. Smith and Peter A. Feld, as members of Principal GP and as members of the Management Committees of Starboard Value GP and Principal GP, may be deemed the beneficial owners of (i) 7,249,341 Shares held by Starboard V&O Fund, (ii) 1,173,357 Shares held by Starboard S LLC, (iii) 676,215 Shares owned by Starboard C LP, (iv) 642,125 Shares owned by Starboard L Master and (v) 2,033,508 Shares held by Starboard Value LP. The address of the principal office of Starboard Value LP and Messrs. Smith and Feld is 777 Third Avenue, 18th Floor, New York, New York 10017.
- (3) According to a Schedule 13G filed with the SEC on February 5, 2020, BlackRock, Inc. (“BlackRock”), has sole voting power with respect to 10,800,088 of the reported shares, shared voting power with respect to none of the reported shares and sole dispositive power with respect to all of the reported shares. BlackRock’s address is 55 East 52nd Street, New York, New York, 10055.
- (4) Consists of (i) 2,567,456 shares held by Mr. Levie, (ii) 2,613,841 shares subject to options exercisable within 60 days of March 31, 2020 and (iii) 3,564 shares issuable upon the vesting of restricted stock units within 60 days of March 31, 2020.
- (5) Consists of (i) 1,078,549 shares held by Mr. Smith; (ii) 85,000 shares held by Mr. Smith, as Trustee of the DCS GRAT of 2014; (iii) 1,187,610 shares subject to options exercisable within 60 days of March 31, 2020; and (iv) 7,262 shares issuable upon the vesting of restricted stock units within 60 days of March 31, 2020.
- (6) Consists of (i) 81,500 shares held by Ms. Carullo, (ii) 274,999 shares subject to options exercisable within 60 days of March 31, 2020 and (iii) 7,326 shares issuable upon the vesting of restricted stock units within 60 days of March 31, 2020.
- (7) Consists of (i) 3,015 shares held by Ms. Barsamian, (ii) 12,062 shares subject to options exercisable within 60 days of March 31, 2020 and (iii) 3,016 shares issuable upon the vesting of restricted stock units within 60 days of March 31, 2020.
- (8) Consists of (i) 111,251 shares held by Ms. Evan and (ii) 46,730 shares subject to options exercisable within 60 days of March 31, 2020.
- (9) Consists of 10,540 shares subject to options held by Ms. Hammonds that are exercisable within 60 days of March 31, 2020.
- (10) Consists of 1,759 shares subject to options held by Mr. Lazar that are exercisable within 60 days of March 31, 2020.
- (11) Consists of 7,309 shares subject to options held by Mr. Leav that are exercisable within 60 days of March 31, 2020
- (12) Consists of (i) 5,790 shares held by Mr. Levin; (ii) 128,600 shares held of record by Daniel J. Levin and Naomi J. Andrews, as Trustees of the Levin/Andrews Family Trust dated 9/18/99; and (iii) 1,337,497 shares subject to options exercisable within 60 days of March 31, 2020.
- (13) Consists of (i) 49,410 shares held by Mr. O’Driscoll and (ii) 46,730 shares subject to options exercisable within 60 days of March 31, 2020.
- (14) Consists of (i) 189,887 shares held by the Joshua and Jennifer Stein Revocable Trust, for which Mr. Stein serves as Trustee and shares voting and dispositive power; and (ii) 46,730 shares subject to options exercisable within 60 days of March 31, 2020.
- (15) Consists of (i) 4,300,458 shares outstanding as of March 31, 2020, (ii) 5,585,807 shares subject to options exercisable within 60 days of March 31, 2020 and (iii) 21,168 shares issuable upon the vesting of restricted stock units within 60 days of March 31, 2020.

## 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.

### Agreement with Starboard Value LP

On March 22, 2020, we entered into the Starboard Agreement regarding, among other things, the membership and composition of the Board and committees thereof.

Pursuant to the Agreement, we agreed (i) to increase the size of the Board of Directors from nine directors to 12 directors and appoint Messrs. Bass and Lazar as Class III directors and Ms. Mayer as a Class II director; (ii) that Messrs. O'Driscoll and Smith would not stand for reelection as directors at the Annual Meeting; (iii) that Mr. Stein would resign from the Board of Directors effective as of the conclusion of the Annual Meeting; (iv) to form the Operating Committee; (v) to appoint the current members of the Operating Committee and to appoint specified replacements in the event current members of the Operating Committee cease to be directors; and (vi) to provide at least one of Mr. Lazar and Ms. Mayer the opportunity to serve on each standing committee of the Board of Directors and provide each of Mr. Lazar and Ms. Mayer the opportunity to serve on at least one standing committee of the Board of Directors. We have agreed to reduce the size of the Board of Directors to nine directors following the conclusion of the 2020 Annual Meeting.

With respect to the Annual Meeting, Starboard has agreed to, among other things, vote, subject to certain conditions, all shares of the company's Class A common stock beneficially owned by Starboard in favor of the nominees identified in this proxy statement and in accordance with the Board's recommendations on all other proposals.

Starboard also agreed to certain customary standstill provisions, effective through the earlier of (x) 15 business days prior to the deadline for the submission of stockholder nominations for the company's 2021 annual meeting of stockholders and (y) 100 days prior to the first anniversary of the 2020 Annual Meeting (the "Standstill Period"). During the Standstill Period, Starboard may recommend certain replacement directors as described in the section titled "Proposal No. 1 — Election of Directors — Agreement with Starboard Value LP" above.

We also agreed to reimburse Starboard for its reasonable, documented out-of-pocket fees and expenses (including legal fees) incurred in connection with Starboard's involvement with the company through the date of the Starboard Agreement, not to exceed \$200,000 in the aggregate.

The foregoing summary of the Starboard Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Agreement, a copy of which is filed as Exhibit 10.1 of our Current Report on Form 8-K filed with the SEC on March 23, 2020 and is incorporated herein by reference.

### 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, 2019, 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

### Fiscal Year 2020 Annual Report and SEC Filings

Our financial statements for our fiscal year ended January 31, 2020 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.box.com/investors> and are available from the SEC at its website at [www.sec.gov](http://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 28, 2020



**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, 2020  
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:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$0.0001 par value per share	BOX	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 every Interactive Data File required to be submitted 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 such files). YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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, 2019 as reported by the New York Stock Exchange on such date was approximately \$2.4 billion. Shares of the registrant's Class A common stock held by each executive officer, director and holder of 10% or more of the outstanding Class A 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, 2020, the number of shares of the registrant's Class A common stock outstanding was 150,703,700.

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, 2020.

**Box, Inc.**  
**Annual Report on Form 10-K**  
**For the Fiscal Year Ended January 31, 2020**

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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 future financial and operating results; including expectations regarding revenues, deferred revenue, billings, remaining performance obligations, gross margins and operating income;
- our ability to maintain an adequate rate of revenue and billings growth and our expectations regarding such growth;
- our market opportunity, business plan and ability to effectively manage our growth;
- our ability to achieve profitability and expand or maintain positive cash flow;
- our ability to achieve our long-term margin objectives;
- our ability to grow our unrecognized revenue and remaining performance obligations;
- our expectations regarding our revenue mix;
- costs associated with defending intellectual property infringement and other claims and the frequency of such claims;
- our ability to attract and retain end-customers;
- our ability to further penetrate our existing customer base;
- our expectations regarding our retention rate;
- 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 features and bring them to market in a timely manner and the expected benefits to customers and potential customers of our products;
- our investment strategy, including our plans to further invest in our business, including investment in research and development, sales and marketing, our data center infrastructure and our professional services organization, and our ability to effectively manage such investments;
- our ability to expand internationally;
- expectations about competition and its effect in our market and our ability to compete;
- the effects of seasonal trends on our operating results;
- use of non-GAAP financial measures;
- our belief regarding the sufficiency of our cash, cash equivalents and our credit facilities to meet our working capital and capital expenditure needs for at least the next 12 months;
- 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;
- the effects of new laws, policies, taxes and regulations on our business;

- management’s plans, beliefs and objectives, including the importance of our brand and culture on our business;
- 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 their 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 legal and regulatory requirements, internal policies and industry standards and regulations. Box provides a single content platform that accelerates business processes, improves employee productivity and protects an organization's most valuable data. Our platform enables a broad set of business use cases across enterprises, hundreds of 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, we recognized that content is more accessible, secure and powerful when it is centrally stored, managed, and shared. In 2005, we publicly launched our cloud content management platform, which we have architected from the ground up, 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. Our cloud content management platform is built to meet the evolving demands of today's distributed and mobile workforce, and for enterprises that are looking to benefit from the increasing digitization of business.

Our go-to-market strategy is focused on selling our cloud content management platform as a solution for the entire enterprise with the full set of Box capabilities, leveraging our product suite offerings, and driving high-value significant business outcomes for our customers. This strategy combines top-down, high-touch sales efforts with end-user-driven bottoms-up adoption. We focus our efforts on larger enterprises, capitalizing on international growth, and utilizing our partner ecosystem, where most advantageous. Our sales representatives engage in direct interaction with IT decision makers including CEOs, CIOs, CISOs, IT directors and line of business department heads. We also field inbound inquiries and online sales opportunities. We further expand our market reach by leveraging a network of our channel partners that is comprised of value-added resellers and systems integrators as well as our own consulting services. We offer individuals a free basic version of Box that allows them to experience first-hand our easy-to-use and secure solution. 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. Our solution selling strategy is focused on ensuring that new and existing customers see the full use-cases and possibilities with our cloud content management platform and the significant business outcomes.

We are building a rich technology partner ecosystem around Box. We offer nearly 1,500 integrations with partners including Microsoft, IBM, Salesforce.com, Apple, Google, Slack, Adobe, Palo Alto Networks, Okta, Zoom 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.

We are committed to powering how the world does more good together. Box.org mobilizes our technology, talent, partners and institutional assets to enable nonprofits to innovate and fulfill their missions. Founded in 2014, Box.org now serves over 9,000 nonprofits with donated or discounted Box access, employee volunteer hours and cash grants from the Box.org Fund.

## The Box Solution

We offer web, mobile and desktop applications for cloud content management on a platform for developing custom applications, and a series of industry-specific capabilities. Box features and functionality include the following:

- **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 organization's 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 a variety of operating systems 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 can 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, and begin using our products 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.
- **Intelligent Threat Detection and Smart Access.** With security being a core differentiator for Box, our newest offering, Box Shield, provides granular, real-time prevention and detection capabilities. Shield reduces the risk of accidental data leakage through native security classifications and granular access controls. It also detects potential insider threats and compromised accounts through alerts powered by Box's machine learning capabilities.
- **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 our customers' authorized administrators through Box's native administrative applications. The tracking and audit data are also accessible to administrators with the appropriate access rights via our application programming interfaces (APIs).
- **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. In addition, we continue to innovate through Box Relay, which enables our end users to easily build, manage and track their own workflows. This allows customers to accelerate the flow of information through their organizations and increase the efficiency of their business processes.
- **Box Skills Kit for applying artificial intelligence to content in Box.** We give organizations the ability to apply machine learning algorithms from leading providers such as IBM, Microsoft and Google, as well as specialized industry-specific vendors, directly to content within Box. This eliminates the need for customers to create and manage separate document repositories for performing functions such as image and character recognition, video and audio analysis and transcriptions, and document analysis on business content, thus improving content search ability and business process automation.
- **Box Platform for Custom Content Experiences.** We provide a content Platform-as-a-Service (cPaaS) product, known as Box Platform, which allows IT teams and third-party developers to extend the power of Box across their applications and build custom content experiences. With our easy-to-use APIs, businesses can create a single source of truth for their content, allowing IT teams to deploy key business applications while easily managing how content is accessed, collaborated with, and secured. Coupled with our robust developer tools, the 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 nearly 1,500 integrations with partners including IBM, Microsoft, Salesforce.com, Google, Facebook, Slack, Adobe, Palo Alto Networks 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 Capabilities.** In order to facilitate easier and faster time to market, we offer industry-specific capabilities for those industries that have significant content and collaboration challenges. These features target specific business problems within those industries with a combination of Box, integration with industry-specific partner technologies, and implementation expertise from Box Consulting and/or implementation partners. For example, we recently launched Box GxP Validation, which targets life science companies and provides a new approach for maintaining always-on GxP compliance in the cloud and enables organizations subject to Food and Drug Administration regulations to manage both unregulated and regulated content within Box. We are able to serve highly regulated industries with specific requirements relating to compliance with certain security and regulatory standards, such as GxP and 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 included over 70.6 million registered users as of January 31, 2020. We define a registered user as a Box account that has been provisioned a unique user identification number. As of January 31, 2020, approximately 81% of our registered users were non-paying users who independently registered for accounts (in many cases to enable them to collaborate securely with our paying enterprise user base) and approximately 19% of our registered users were paying users who registered as part of a larger enterprise or business account or by using a paid personal account.

As of January 31, 2020, we had over 97,000 paying organizations, and our solution was offered in 24 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; and (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 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 provided by our Customer Success Management group and certain resellers; a professional services ecosystem that consists of our Box Consulting team and system integrators that help customers implement cloud content management oriented use cases; a Customer Success Management group to assist customers in production; and an online community with self-service training materials, best practice guides and product documentation.

One reseller, which is also a customer, represented 10% of our revenue in the year ended January 31, 2020. Our geographic revenue and segment information is set forth in Notes 2 and 14, respectively, 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 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 revenue when, or as we, satisfy a performance obligation. Accordingly, due to our subscription model, we recognize revenue for our subscription and premier services ratably over the term of the contract.

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 fall outside of Box's areas of focus. These relationships include software and technology partners, as well as consulting and implementation services providers that enable Box to address a broader set of use cases for our customers.

Sales and marketing expenses were \$317.6 million, \$312.2 million and \$303.3 million for the years ended January 31, 2020, 2019 and 2018, 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, logging) around corporate content. These services, which comprise our platform, are used to develop our own applications (e.g., sync, desktop, 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 strive to 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 \$199.8 million, \$163.8 million and \$136.8 million for the years ended January 31, 2020, 2019 and 2018, 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; 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 primary competitors in the cloud content management market include, but are not limited to, Microsoft and Open Text (Documentum). In the enterprise file sync and share market, our primary competitors include, but are not limited to, Microsoft, Google and, to a lesser extent, Dropbox.

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;
- scalability of 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;
- intelligent content management including 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, larger marketing budgets, 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, 2020, our patents were set to expire between 2028 and 2038. 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 services. Policing unauthorized use of our technology and intellectual property rights on a global basis 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 continued to focus on annual payment frequencies for multi-year contracts in the twelve months ended January 31, 2020. 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 other than disclosed as part of remaining performance obligations. To the extent future invoicing is determined to be certain, we consider such future subscription invoices to be non-cancellable backlog, which is disclosed as part of remaining performance obligations. Future invoicing is determined to be certain when we have an executed non-cancellable contract or a significant penalty is due upon cancellation, and invoicing is not dependent on a future event such as the delivery of a specific new product or feature, or the achievement of contractual contingencies. We had \$353.4 million and \$311.4 million of non-cancellable backlog as of January 31, 2020 and 2019, respectively. The increase of non-cancellable backlog as of January 31, 2020 was primarily driven by the addition of new customers, expansion within existing customers as they broaden their deployment of our product offerings, and the timing of customer driven renewals.

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 timing and duration of customer subscription agreements, varying price, volume, and invoicing cycles of subscription contracts, the timing of customer regularly scheduled renewals, 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, 2020, we had 2,046 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](http://www.box.com), and our investor relations website is located at [www.box.com/investors](http://www.box.com/investors). The information on, or that can be accessed through, our website is not part of this Annual Report on Form 10-K. 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 Annual Report on Form 10-K 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 SEC maintains a website at [www.sec.gov](http://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](http://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 certain Twitter accounts, such as @box, @levie and @boxincir. Information on, or that can be accessed through, our websites or 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 near future.*

We have incurred significant losses in each period since our inception in 2005. We incurred net losses of \$144.3 million, \$134.6 million and \$155.0 million in our fiscal years ended January 31, 2020, 2019 and 2018, respectively. As of January 31, 2020, we had an accumulated deficit of \$1.3 billion. 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 product 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 near 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, including 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.

*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 brand recognition, substantially longer operating histories, larger marketing budgets and significantly greater resources than we do. Our primary competitors in the cloud content management market include, but are not limited to, Microsoft and Open Text (Documentum). In the enterprise file sync and share market, our primary competitors include, but are not limited to, Microsoft, Google and, to a lesser extent, Dropbox. 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 or for free, 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. 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 market for cloud-based enterprise services declines or develops more slowly than we expect, our business could be adversely affected.***

The market for cloud-based enterprise services is not as mature as the on-premise enterprise software market. Because we derive, and expect to continue to derive, substantially all of our revenue and cash flows from sales of our cloud content management solutions, our success will depend to a substantial extent on the widespread adoption of cloud computing in general and of cloud-based content management 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 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 or corruption of customer data, disruptions in delivery of services, 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 there is a reduction in demand for cloud-based services caused by a lack of customer acceptance, technological challenges, weakening economic or political 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.

***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 remains high, it has decreased over time, and may continue to decrease in the future, as some of our customers have elected and may elect not to renew their subscriptions with us or to decrease the scope of their deployments. For example, our retention rate was approximately 104% as of January 31, 2020, compared to 108% as of January 31, 2019.

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, the performance of our partners and resellers, 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 them 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 management 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 successfully launch new products and services, or provide enhancements or modifications to our existing products and 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 provide 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 Governance, which gives customers a better way to comply with regulatory policies, satisfy e-discovery requests and effectively manage sensitive business information; and Box Skills, which enables customers to leverage a variety of machine learning tools to accelerate their business processes and help extract meaning from customers unstructured content. In June 2019, we launched the all new Box Relay, which provides our customers with powerful workflow automation tools to improve business processes. In addition, in October 2019 we launched Box Shield, a set of new content security controls and intelligent threat detection capabilities that enables enterprises to secure and protect their most valuable intellectual property and help prevent accidental data leakage, detect potential access misuse and proactively identify potential security threats. The success of any new products and services, enhancements, or modifications to existing products and services depends on several factors, including the timely completion, introduction and market acceptance of such enhancements, integrations, products or services. Failure in this regard may significantly impair our revenue growth and our future financial results. 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 existing or 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 our or 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 spectrum of industries. Additionally, we collect and store certain sensitive and proprietary information in the operation of our business, including trade secrets, employee data, and other confidential data. Cyberattacks 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, sophisticated organizations and hacking groups and individuals. These sources can also implement social engineering techniques to induce our partners, users, employees or customers to disclose passwords or other sensitive information or take other actions to gain access to our data or our users' data. Hackers that acquire user account information at other companies can attempt to use that information to compromise the accounts of personnel, or our users' accounts if an account shares the same sensitive information such as passwords. In addition, because the Box service is configured by administrators and users to select their default settings, the third-party integrations they enable, and their privacy and permissions settings, this may lead to an administrator or user intentionally or inadvertently configuring settings to share their sensitive data. For example, a Box user can choose to share the content they store in Box with third-parties by creating a link that can be customized to be accessible by anyone with the link. While this feature is designed to be used for a variety of legitimate use cases in which a user wishes to share non-sensitive content with a broad or public audience, if a user were to intentionally or inadvertently configure a setting that allowed public access to their sensitive data, that data could be discovered and accessed by an unintended third party. 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 where there may be a greater concentration of sensitive and protected data, such as healthcare, government, life sciences, and financial services, 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, social engineering techniques, improper user configuration or otherwise, and this results in, or is believed to result in, the disruption of the confidentiality, integrity or availability of our data or our customers' data, we could incur significant liability to various parties, including our customers and to individuals or organizations whose information is being stored by our customers, and our business may suffer and our reputation or competitive position may be damaged. Given that our customers manage significant amounts of sensitive and proprietary information on our platform, and many of our customers are in heavily regulated industries where there may be a greater concentration of sensitive and protective data, our reputation and market position are particularly sensitive to impacts from actual or perceived

security breaches or concerns regarding security. Techniques used to obtain unauthorized access to, or to sabotage, systems or networks, are constantly evolving 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, and we may face delays in our detection or remediation of, or other responses to, security breaches and other security-related incidents. We also expect to incur significant costs in an effort to detect and prevent security breaches and other security-related incidents, and we may face increased costs and requirements to expend substantial resources in the event of an actual or perceived security breach or other security-related incident. Additionally, our service providers may suffer, or be perceived to suffer, data security breaches or other incidents that may compromise data stored or processed for us that may give rise to any of the foregoing.

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 certain of these matters, if we experienced a widespread security breach or other incident that impacted a significant number of our customers to whom we owe indemnity obligations, we could be subject to indemnity claims or other damages that exceed our insurance coverage. We also cannot be certain that our insurance coverage will be adequate for data handling or data security liabilities actually incurred, that insurance will continue to be available to us on economically reasonable terms, or at all, or that any insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, including our financial condition, operating results, and reputation.

***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 government 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 or maintain existing government customers 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. An extended federal government shutdown resulting from budgetary decisions may limit or delay federal government spending on our solutions and adversely affect our revenue. 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 focused on cloud content management use cases and are targeted at enterprise and highly-regulated customers, our sales cycles may become longer 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 focused on cloud content management use cases and are targeted at enterprise and highly-regulated 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 leave fewer sales support and professional services resources for other customers. 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 (GDPR) that became effective in May 2018, superseding prior EU data protection legislation, imposing more stringent EU data protection requirements, and providing for greater penalties for noncompliance of up to the greater of 20 million euros or four percent of a company's global revenue. The GDPR imposes significant obligations on companies regarding the handling of personal data. If we are unable to develop and offer services that meet our legal duties or help our customers meet their obligations under the GDPR or other laws or regulations relating to privacy, data protection, or information security, we may experience reduced demand for our services and become subject to significant fines and penalties, all of which would harm our business. Although U.S. and EU authorities reached agreement in 2016, regarding a means for legitimizing personal data transfers from the European Economic Area (EEA) to the United States under EU data protection law, the EU-U.S. Privacy Shield, it has faced legal challenges. It is unclear what effect these or any future challenges to the EU-U.S. Privacy Shield will have and whether it or the related Swiss-EU Privacy Shield will continue to function as an appropriate means for us to legitimize personal data transfers from the EEA or Switzerland to the U.S. Additionally, in 2018, the State of California enacted the California Consumer Privacy Act (CCPA), that became operative on January 1, 2020. The CCPA requires covered companies to, among other things, provide new disclosures to California consumers, and afford such consumers new abilities to opt-out of certain sales of personal information. The CCPA is the subject of proposed regulations issued by the California Attorney General in October 2019, but they have yet to be finalized. Aspects of the CCPA and its interpretation and enforcement remain unclear. We cannot fully predict the impact of the CCPA on our business or operations, but it may require us to modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply. There also 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 voted to leave the European Union, commonly referred to as "Brexit," which resulted in the United Kingdom exiting the European Union on January 31, 2020. Brexit could also lead to further legislative and regulatory changes. The UK Data Protection Act that substantially implements the GDPR became law in May 2018, and was the subject of statutory amendments that further aligned it with the GDPR in 2019. It remains unclear, however, how United



Kingdom data protection laws or regulations will develop in the medium to longer term and how data transfers to and from the United Kingdom will be regulated. In addition, some countries are considering or have enacted 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 GxP and FedRAMP, and those required by HIPAA, FINRA, and the HITECH Act. As we expand into new industry verticals and regions, we will likely need to comply with these and other new requirements to compete effectively. If we cannot adequately comply or if we incur a violation of one or more of these requirements, our growth could be adversely impacted, and we could incur significant liability and our reputation and business could be harmed.

***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, our failure to achieve our internal sales targets, a decline in the market acceptance of our services, or potential decreases 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 additional sales 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, infrastructure, 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 mobile 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, infrastructure, 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.

***If we are unable to attract new customers or expand deployments with existing customers at rates that are consistent with our expectations, our future revenue and operating results could be adversely impacted.***

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 solutions and products 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 or purchase new products from us, our revenue may grow more slowly than we expect. All of these factors could 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, deferred revenue, unrecognized revenue and remaining performance obligations, 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 version to paying customers;
- the addition or loss of large customers, including through acquisitions or consolidations;
- changes in our retention rate;
- the timing of revenue recognition;
- the impact on billings of shifting between annual and 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, disruptions to the availability of our service, security breaches or perceived security breaches and vulnerabilities;
- general economic, industry and market conditions;
- increases or decreases in the number of features or capabilities 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 product 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;

- changes in usage or adoption rates of the internet and content management services, including outside the United States;
- 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.

***If we fail to effectively manage our technical operations infrastructure, our customers may experience service outages and delays in the 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, incidents of data corruption, service 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 encounter any of these problems in the future, our customers may lose access to important data or experience data corruption or 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 data center 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 multiple third-party data center hosting facilities located in Nevada 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 facilities located in Nevada. In addition, all of our customers' data is typically replicated on a third-party storage platform located inside and outside of the United States. 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, cyber-attacks and similar misconduct, including by state-sponsored or otherwise well-funded actors. 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 natural or man-made disasters, security issues (including an act of terrorism or an armed conflict), certain geopolitical events, labor or trade disputes, 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. For example, in September 2019, a modification to a perimeter network configuration caused an internal routing problem which led to all Box services being temporarily unavailable. As we continue to add data centers, increase our dependence on third-party cloud computing and hosting providers, and add capacity in our existing data centers, we may move or transfer our data and our customers' data. In particular, as part of our hybrid cloud infrastructure strategy, we are in the

process of migrating our primary data centers to significantly lower cost regions in order to continue to optimize infrastructure efficiency and to support the growth in our paying customers. Despite precautions taken during any of these data center moves and data transfers, any unsuccessful data transfers may impair the delivery of our service and could materially and adversely disrupt our operations and our service delivery to our customers, which could result in contractual penalties or damage claims from customers. In addition, changes to our data center infrastructure could occur over a period longer than planned, could require greater than expected investment and other internal and external resources and could cause us to incur increased costs as we operate multiple data center facilities. It may also take longer to realize the intended favorable benefits from any data center infrastructure migrations and improvements than expected, and disruptions or unexpected costs may continue to occur while we enhance our data center infrastructure.

***Our business is subject to the risks of natural disasters, pandemics and other catastrophic events.***

The occurrence of any catastrophic event, including a pandemic (such as that related to COVID-19), earthquake, fire, flood, tsunami, or other weather event, power loss, telecommunications failure, software or hardware malfunctions, cyber-attack, war, or terrorist attack, could result in lengthy interruptions in our service. Our corporate headquarters is located in the San Francisco Bay Area, a region known for seismic activity. Our insurance coverage may not compensate us for losses that may occur in the event of an earthquake or other significant natural disaster. In addition, pandemics, acts of terrorism or war could cause disruptions to the Internet or the economy as a whole, which could have a significant impact on our business and operating results. For example, the recent coronavirus (COVID-19) outbreak, which has been declared a pandemic by the World Health Organization, could disrupt or have a material adverse effect on our business or the business of our partners and customers. The extent to which the coronavirus (COVID-19) outbreak impacts our business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted. In addition, a health epidemic could adversely affect the economies of many countries, resulting in an economic downturn that could affect demand for our services and likely impact our operating results. Even with our disaster recovery arrangements, our services could be interrupted. Our partners, suppliers, and customers are also subject to the risk of catastrophic events. In those events, our ability to deliver our services in a timely manner, as well as the demand for our services, may be adversely impacted by factors outside our control. If our systems were to fail or be negatively impacted as a result of a natural disaster, pandemic or other catastrophic event, our ability to deliver our services to our customers would be impaired, we could lose critical data, our reputation could suffer and we could be subject to contractual penalties.

***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 cloud content management 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 services 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, representing diverse backgrounds, experiences, and skill sets, 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, as well as a diverse and inclusive work environment that enables all of our employees to prosper. Competition for highly skilled personnel is intense, particularly in the San Francisco Bay Area, where our headquarters is 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, including those that restrain the flow of technical and professional talent, 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 and goals 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.

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 Class A 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. 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.

***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 code may contain bugs or other defects and open source licensors generally do not provide warranties or controls on the functionality or 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.

***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 sanction 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, international treaties, export/import laws and other trade restrictions or trade disputes 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 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. For example, in September 2019, a modification to a perimeter network configuration caused an internal routing problem which led to all Box services being temporarily unavailable. 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 these services 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, Box Zones, Box Platform, Box Relay and Box Shield 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 GxP, 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. Further, 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 insurance may not cover all claims made against us and defending a lawsuit, regardless of its merit, could be costly and divert management's attention.

Because of the large amount of data that we collect and manage, it is possible that hardware failures, software errors, errors in our systems, or by third-party service providers, 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 have been required and, in the future, 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.

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 of 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 (and changes to such 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, including economic tariffs;
- changes in the geopolitical environment, the perception of doing business with U.S. based companies, and changes in regulatory requirements that impact our operating strategies, access to global markets or hiring;
- 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;
- reliance on third-party resellers and other parties;
- 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-U.S. dollar 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 that 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, especially in the United Kingdom, and our financial results.

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

We will need to continue to optimize our sales infrastructure in order to grow our customer base and our business. 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 and to eliminate fraudulent transactions occurring in this channel, 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, resellers, 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, or realizing the anticipated benefits from such partnerships, 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 abroad, we may be unable to foster the innovation, creativity and teamwork we believe we need to support our growth.

***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. 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, as well as the acquired operations, technology and rights into our offerings, and any unanticipated expenses related to such integration;
- 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;
- completing the transaction and achieving the anticipated benefits of the acquisition within the expected timeframe or at all;
- unanticipated write-offs, expenses, charges or risks associated with the transaction; and
- litigation or other claims in connection with the acquired company, including claims from terminated employees, customers, former stockholders or other third parties, which may differ from or be more significant than the risks our business faces.

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 that may restrict our and our subsidiaries' ability to, among other things, incur indebtedness, grant liens on our assets, make loans investments, consummate certain merger and consolidation transactions, dispose of assets and enter into affiliate transactions, subject in each case to customary exceptions. We are also required to comply with a minimum liquidity covenant and a maximum leverage ratio. 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 and under other arrangements containing cross-default provisions. 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, and permit our lenders to terminate their lending commitments and to foreclose upon any collateral securing such indebtedness.

***Adverse economic conditions may negatively impact our business.***

Our business depends on the overall demand for cloud content management services 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, Japan 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.

For example, in December 2017, the Federal Communications Commission voted to repeal the "net neutrality" rules and return to a "light-touch" regulatory framework. However, the repeal has not yet taken effect and a number of parties have already stated their intent to appeal this order; thus, the future impact of such repeal and any challenge thereto remains uncertain. The rules were designed to ensure that all online content is treated the same by internet service providers and other companies that provide broadband services. Should the repeal of net neutrality rules take effect, access to or demand for our services could be hindered, we could incur greater operating expenses, and our business and results of operations.

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 software for use in or with our services, and the inability to maintain licenses to this software, or errors in the software, could result in increased costs, or reduced service levels, which would adversely affect our business.***

Our services incorporate certain third-party software obtained under open source licenses or 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 the introduction of new services introductions, result in a failure of our services, and injure our reputation. For example, we discovered that a bug in a third-party software library we use in our services caused a very small subset of certain files uploaded during a short period of time (from mid-December 2017 to early January 2018) to be stored in a partially-corrupted state. 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 compliance with 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 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. Additionally, to the extent that we acquire other businesses, the acquired company may not have a sufficiently robust system of internal controls and we may uncover new deficiencies. 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 are required to include in our periodic reports that we file 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 procedures to address compliance with such laws, we cannot assure you that our employees and agents will not take actions in violation of our policies or 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, 2020, we had U.S. federal net operating loss carryforwards of approximately \$735.2 million, state net operating loss carryforwards of approximately \$675.0 million, and foreign net operating loss carryforwards of approximately \$320.6 million. Under Sections 382 and 383 of Internal Revenue Code of 1986, as amended, 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, such as the Tax Act in the United States, 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 February 2016, the FASB issued accounting standards update No. 2016-02, which requires lessees to record most leases on their balance sheet while recognizing expense in a manner similar to current lease accounting guidance. ASU 2016-02 states that a lessee would recognize a lease liability for the obligation to make lease payments and a right-to-use asset for the right to use the underlying asset for the lease term. The new accounting guidance was effective for us beginning February 1, 2019 and our financial statements were materially affected as further discussed in Note 2 of our Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K. 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**

***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:

- authorizing 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 Class A 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; and
- controlling the procedures for the conduct and scheduling of board directors and stockholder meetings.

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, 2019 through January 31, 2020, the closing price of our Class A common stock ranged from \$13.03 per share to \$24.88 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;
- network or service outages, internet disruptions, the availability of our service, security breaches or perceived security breaches and vulnerabilities;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- actions instituted by activist shareholders or others;
- 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. In 2019, we were the subject of securities litigation. This or any future securities litigation could result in substantial costs and a diversion of our management's attention and resources.

***Our business could be negatively affected as a result of activist shareholders.***

Responding to actions by activist shareholders could be costly and time-consuming, disrupt our operations and divert the attention of management and our employees. Additionally, perceived uncertainties as to our future direction as a result of shareholder activism or changes to the composition of our board of directors may lead to the perception of a change in the direction of our business or other instability, which may be exploited by our competitors, cause concern to our current or potential customers, and make it more difficult to attract and retain qualified personnel. If customers choose to delay, defer or reduce transactions with us or do business with our competitors instead of us, then our business, financial condition and operating results would be adversely affected. In addition, our share price could experience periods of increased volatility as a result of shareholder activism.

***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 other locations, with our principal offices in San Francisco, California; Austin, Texas; New York, New York; London, England; 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, 2020.

On June 6, 2019, a purported securities class action was filed in the U.S. District Court for the Northern District of California naming Box and certain of its officers and directors as defendants. The action was voluntarily dismissed without prejudice on December 16, 2019.

On October 23, 2019, a shareholder derivative complaint was filed in the Superior Court of California, San Mateo County, purportedly on behalf of Box and naming as defendants certain current and former officers and directors. The complaint was voluntarily dismissed without prejudice on December 26, 2019.

**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.

#### **Holders of Record**

As of February 28, 2020, there were 248 holders of record of our Class A 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**

None.

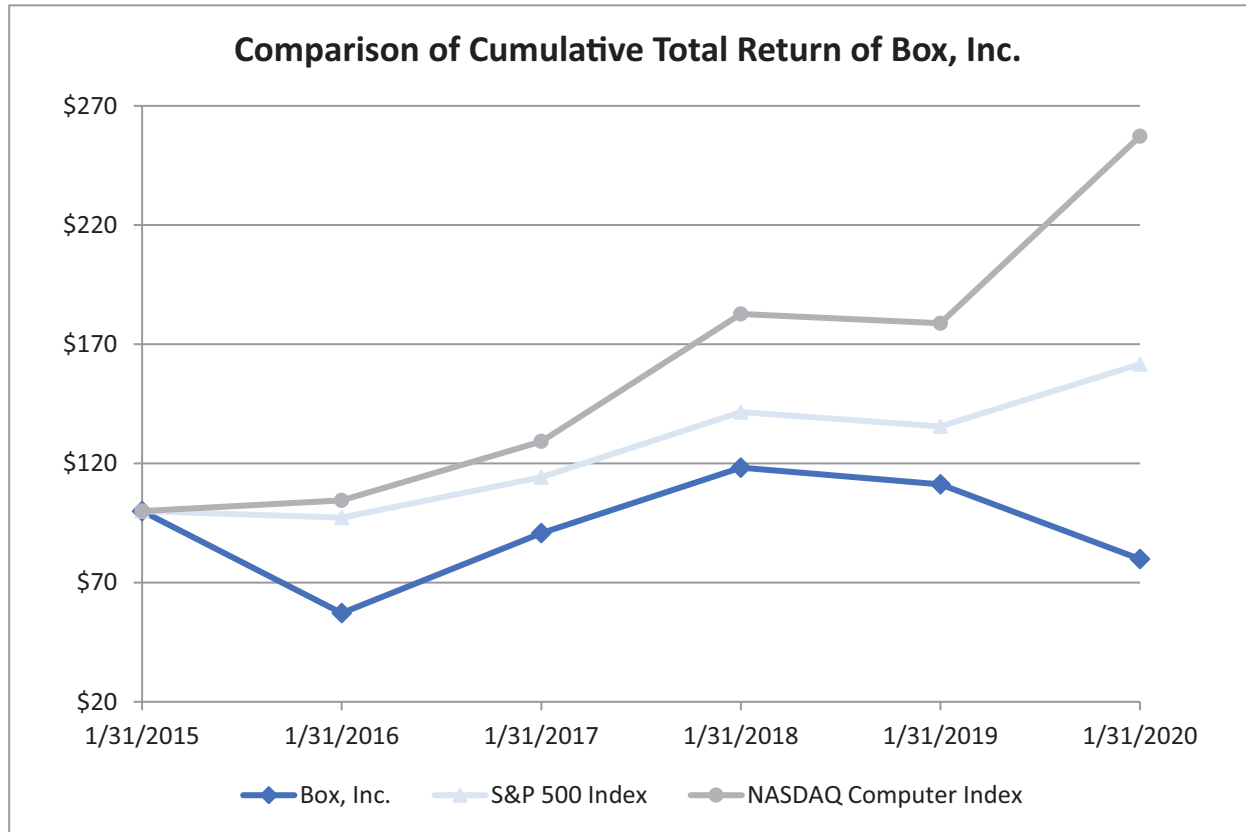
#### **Issuer Purchases of Equity Securities**

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 31, 2015 and its relative performance is tracked through January 31, 2020. The returns shown are based on historical results and are not intended to suggest future performance.



Company/Index	Base Period 01/31/2015	01/31/2016	01/31/2017	01/31/2018	01/31/2019	01/31/2020
Box, Inc. ....	\$100	\$ 57	\$ 91	\$118	\$111	\$ 80
S&P 500 Index ....	100	97	114	142	136	162
NASDAQ Computer Index ....	100	105	129	183	179	257

## 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 this Annual Report on Form 10-K and 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. We adopted ASC Topic 842, effective February 1, 2019, and ASC Topic 606, effective February 1, 2018, both utilizing the modified retrospective method. The reported results for fiscal year 2020 reflect the application of ASC 842, and the reported results for fiscal year 2019 onwards reflect the application of ASC 606. The reported results for fiscal years presented prior to adoption are not adjusted and continue to be reported under ASC Topic 840 and ASC Topic 605.

	Year Ended January 31,				
	2020	2019	2018	2017	2016
	(in thousands)				
<b>Consolidated Statements of Operations Data:</b>					
Revenue	\$ 696,264	\$ 608,386	\$ 506,142	\$ 398,605	\$ 302,704
Cost of revenue <sup>(1)(2)</sup>	215,577	173,594	135,248	112,130	87,100
Gross profit	480,687	434,792	370,894	286,475	215,604
Operating expenses:					
Research and development <sup>(2)</sup>	199,750	163,750	136,791	115,928	102,500
Sales and marketing <sup>(1)(2)</sup>	317,615	312,210	303,319	253,020	242,184
General and administrative <sup>(1)(2)</sup>	102,794	93,069	84,805	68,182	71,923
Total operating expenses	620,159	569,029	524,915	437,130	416,607
Loss from operations	(139,472)	(134,237)	(154,021)	(150,655)	(201,003)
Interest expense, net	(2,338)	(316)	(1,013)	(896)	(1,157)
Other (loss) income, net	(1,128)	1,339	789	678	(98)
Loss before provision for income taxes	(142,938)	(133,214)	(154,245)	(150,873)	(202,258)
Provision for income taxes	1,410	1,398	715	914	690
Net loss	\$(144,348)	\$(134,612)	\$(154,960)	\$(151,787)	\$(202,948)
Net loss per share, basic and diluted	\$ (0.98)	\$ (0.95)	\$ (1.16)	\$ (1.19)	\$ (1.67)
Weighted-average shares used to compute net loss per share, basic and diluted	147,762	141,351	133,932	127,469	121,240

(1) Includes intangible assets amortization as follows:

	Year Ended January 31,				
	2020	2019	2018	2017	2016
	(in thousands)				
Cost of revenue	\$—	\$—	\$365	\$3,197	\$5,443
Sales and marketing	—	9	—	—	—
General and administrative	—	15	154	155	154
Total intangible assets amortization	\$—	\$24	\$519	\$3,352	\$5,597

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

	Year Ended January 31,				
	2020	2019	2018	2017	2016
	(in thousands)				
Cost of revenue	\$ 16,769	\$ 14,065	\$10,742	\$ 7,882	\$ 4,664
Research and development	62,565	45,189	37,733	30,796	24,696
Sales and marketing	38,030	36,864	31,742	26,142	19,530
General and administrative	28,624	23,178	17,268	13,552	10,614
Total stock-based compensation	\$145,988	\$119,296	\$97,485	\$78,372	\$59,504

	January 31,				
	2020	2019	2018	2017	2016
	(in thousands)				
<b>Consolidated Balance Sheet Data:</b>					
Cash and cash equivalents. . . . .	\$ 195,586	\$217,518	\$208,076	\$177,391	\$185,741
Working capital. . . . .	(119,708)	(34,646)	5,222	24,160	69,528
Total assets . . . . .	959,991	650,161	553,566	493,674	497,488
Deferred revenue, current and non-current . . . . .	423,849	375,041	320,923	241,984	186,413
Debt, current and non-current . . . . .	40,000	40,000	40,000	40,000	40,000
Finance lease liabilities, current and non-current . . . . .	138,061	72,914	45,824	35,445	12,014
Total stockholders' equity . . . . .	22,357	31,405	14,968	74,732	137,901

## **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 their 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 legal and regulatory requirements, internal policies and industry standards and regulations. Box provides a single content platform that accelerates business processes, improves employee productivity and protects an organization's most valuable data. Our platform enables a broad set of business use cases across enterprises, hundreds of 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, we recognized that content is more accessible, secure and powerful when it is centrally stored, managed, and shared. In 2005, we publicly launched our cloud content management platform, which we have architected from the ground up, 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. Our cloud content management platform is built to meet the evolving demands of today's distributed and mobile workforce, and for enterprises that are looking to benefit from the increasing digitization of business.

In addition, we continue to innovate by expanding our core services and our expanded offerings with a focus on frictionless security and compliance, seamless internal and external collaboration and workflow, and integration with best-of-breed applications. For example, we provide Box Shield, our advanced security offering that helps customers reduce the risk of accidental data leakage and protect their business from insider threats and account compromise; 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 Relay, which allows our end users to easily build, manage and track their own workflows; Box Platform, which further enables customers and partners to build enterprise apps using the Box Platform; and Box Zones, which gives global customers the ability to store their data locally in certain regions. The increasing success of our add-on products allows our customers to realize the full set of Box capabilities of our cloud content management platform.

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 revenue when, or as we, satisfy a performance obligation. Accordingly, due to our subscription model, we recognize revenue for our subscription and premier services ratably over the term of the contract.

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.

Our user base included 70.6 million registered users as of January 31, 2020. We define a registered user as a Box account that has been provisioned a unique user identification number. As of January 31, 2020, 19% of our registered users were paying users who registered as part of a larger enterprise or business account or by using a paid personal account. As of January 31, 2020, we had over 97,000 paying organizations, and our solution was offered in 24 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; and (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 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 investments in both our infrastructure to meet the needs of our growing global 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 near future.

For the years ended January 31, 2020, 2019 and 2018, our revenue was \$696.3 million, \$608.4 million, and \$506.1 million, respectively, representing year-over-year growth of 14% and 20%, respectively, and our net losses were \$144.3 million, \$134.6 million, and \$155.0 million, respectively. For the years ended January 31, 2020, 2019 and 2018, revenue from non-U.S. customers represented 25%, 23%, and 22% of our revenue, respectively. Box is headquartered in Redwood City, California and operates offices throughout the United States, Europe, and Asia.

## **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, cross-selling our add-on products 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 portion of which are deferred and then amortized over a period of benefit, and marketing costs, which are expensed as incurred. We recognize revenue when, or as we, satisfy a performance obligation. Accordingly, due to our subscription model, we recognize revenue for our subscription and premier services ratably over the term of the contract. 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 their current stage. 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, even after considering deferred incremental 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 the key metrics below 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 certain 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 institutional investors and the analyst community to help analyze the health of our business.

We adopted ASC Topic 842, effective February 1, 2019, and ASC Topic 606, effective February 1, 2018, both utilizing the modified retrospective method. The reported results for fiscal year 2020 reflect the application of ASC Topic 842, and the reported results for fiscal year 2019 onwards reflect the application of ASC 606. The reported results for fiscal years presented prior to adoption are not adjusted and continue to be reported under ASC Topic 840 and ASC Topic 605.

	<u>Year Ended January 31,</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Remaining performance obligations (in millions)* . . . . .	\$ 767.8	\$ 686.3	\$ —
Remaining performance obligations growth rate* . . . . .	12%	—	—
Billings (in thousands) . . . . .	\$745,075	\$672,897	\$585,081
Billings growth rate . . . . .	11%	15%	29%
Free cash flow (in thousands)** . . . . .	\$ (7,238)	\$ 13,822	\$ 7,517
Retention rate (period end) . . . . .	104%	108%	110%

\* Box began disclosing remaining performance obligations upon the adoption of ASC Topic 606 on February 1, 2018. Year-over-year comparisons against prior periods before February 1, 2018 are not applicable.

\*\* 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. We adopted ASU 2016-18, effective February 1, 2018, utilizing the retrospective transition method. For the year ended January 31, 2018, we revised the cash flows from operating activities to reflect the change in presentation of restricted cash. We further revised free cash flow to no longer exclude the use and release of restricted cash to guarantee a significant letter of credit for our Redwood City headquarters. The retrospective adjustments for the year ended January 31, 2018 resulted in a decrease in free cash flow from positive \$8.9 million, as initially reported, to positive \$7.5 million, as adjusted.

### ***Remaining Performance Obligations***

Remaining performance obligations (RPO) represent, at a point in time, contracted revenue that has not yet been recognized. RPO consists of deferred revenue and backlog, offset by contract assets. Backlog is defined as non-cancellable contracts deemed certain to be invoiced and recognized as revenue in future periods. Future invoicing is determined to be certain when we have an executed non-cancellable contract or a significant penalty is due upon cancellation, and invoicing is not dependent on a future event such as the delivery of a specific new product or feature, or the achievement of contractual contingencies. While Box believes RPO is a leading indicator of revenue as it represents sales activity not yet recognized in revenue, it is not necessarily indicative of future revenue growth as it is influenced by several factors, including seasonality, contract renewal timing, average contract terms and foreign currency exchange rates. Box monitors RPO to manage the business and

evaluate performance. Although we consider RPO to be a significant performance measure, we do not consider it to be a non-GAAP financial measure given that it is calculated in accordance with GAAP, specifically under ASC Topic 606.

RPO increased 12% in the year ended January 31, 2020 over the year ended January 31, 2019. The increase in RPO was primarily driven by the addition of new customers, expansion within existing customers as they broadened their deployment of our product offerings, and the timing of customer-driven renewals.

### **Billings**

Billings represent our revenue plus the changes in deferred revenue and contract assets in the period. Billings we record in any particular period primarily reflect subscription renewals and expansion within existing customers plus sales to new 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 negotiates 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 negotiates 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 contract term. We consider billings a significant performance measure. 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, deferred revenue, and contract assets, all of which are financial measures calculated in accordance with GAAP.

Billings increased 11% in the year ended January 31, 2020 over the year ended January 31, 2019. The increase in billings was primarily driven by the addition of new customers, expansion within existing customers as they broadened their deployment of our product offerings, and the timing of customer-driven renewals, partially offset by a large customer reducing its use cases in the current period.

Our use of billings has certain 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 subscription and premier services revenue is recognized ratably over the contract term when, or as we, satisfy a performance obligation. 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.

Over time, we expect to continue to normalize payment durations. In addition, as we have gained and expect to continue to gain more traction with large enterprise customers, we also anticipate our quarterly billings to increasingly concentrate in the back half of our fiscal year, especially in the fourth quarter.

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

	<b>Year Ended January 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
GAAP revenue .....	\$ 696,264	\$ 608,386	\$ 506,142
Deferred revenue, end of period .....	423,849	375,041	320,923
Less: deferred revenue, beginning of period .....	(375,041)	(311,109)*	(241,984)
Contract assets, beginning of period .....	3	582	—
Less: contract assets, end of period .....	—	(3)	—
Billings .....	<u>\$ 745,075</u>	<u>\$ 672,897</u>	<u>\$ 585,081</u>

\* Balance as of February 1, 2018 upon the adoption of ASC Topic 606

### ***Free Cash Flow***

We define free cash flow as cash flows from operating activities less purchases of property and equipment, principal payments of finance lease liabilities (which we previously referred to as capital lease liabilities), capitalized internal-use software costs, 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 adjusting items in our reconciliation of GAAP to non-GAAP financial measures. 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 net cash provided by operating activities, its nearest GAAP equivalent, is presented in the non-GAAP Financial Measures section of this Annual Report on Form 10-K. 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 decreased \$21.1 million in the year ended January 31, 2020 as compared to the year ended January 31, 2019. The decrease in free cash flow was primarily driven by an increase in principal payments of finance lease liabilities of \$14.6 million, a decrease in cash provided by operating activities of \$10.6 million, and an increase in capitalized internal-use software costs of \$5.2 million associated with the development of additional significant features and functionality to our products, partially offset by a decrease in capital expenditures of \$9.3 million. The primary factors affecting the decrease in cash flows provided by operating activities included changes in our operating assets and liabilities of \$50.6 million and an increase of our net loss of \$9.7 million, partially offset by an increase in non-cash charges of \$49.7 million. The decrease in capital expenditures was primarily related to the completion of our facilities buildouts in Austin, Tokyo, and London during fiscal year 2019. The increase in principal payments of finance lease liabilities was due to our continued investment in our data center operations.

### ***Retention Rate***

Retention rate is defined as the net percentage of Total Account Value (TAV) retained from existing customers, including expansion. We calculate our retention rate as of a period end by starting with the TAV from customers with contract value of \$5,000 or more as of 12 months prior to such period end (Prior Period TAV) and a subscription term of at least 12 months. We then calculate TAV from these same customers as of the current period end (Current Period TAV). Finally, we divide the Current Period TAV by the Prior Period TAV and report the average of this calculation over the prior twelve months to arrive at our retention rate.

Our retention rate was 104%, 108% and 110% as of January 31, 2020, 2019 and 2018, 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% of the Prior Period TAV. Beginning in fiscal year 2021, we will be including all customers in our churn and net retention calculations, both of which will be year-over-year measures. As a result of our focus on driving an efficient land and expand go-to-market strategy, large enterprise customers may begin their deployments with contract values below \$5,000 and expand significantly over time. This new methodology will provide a more comprehensive view of how existing customers contribute to our overall revenue growth. 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. Retention rate is an operational metric and there is no comparable GAAP financial measure to which we can reconcile this particular key metric. Our strong retention rates were primarily attributable to strong seat growth in existing customers and strong attach rates of add-on products. As our customers purchase add-on products, we tend to realize significantly higher average contract values and stronger retention rates as compared to customers who only purchase our core product. We believe our go-to-market efforts to deliver a solution selling strategy and our investments in product, Customer Success, and Box Consulting have been a significant factor in our strong customer retention results. Our retention rate is higher in customers who have purchased at least one add-on product. As we penetrate customer accounts, we expect 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 who have access to our cloud content management platform and other subscription-based services, which all include routine customer support; (2) revenue from customers purchasing our premier services 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 services. Subscription and premier services revenue are driven primarily by the number of customers, the number of seats sold to each customer and the price of our services.

We recognize revenue when, or as we, satisfy a performance obligation. Accordingly, due to our subscription model, we recognize revenue for our subscription and premier services ratably over the contract term. We typically invoice our customers at the beginning of the term, in multiyear, annual, quarterly or monthly installments. Our subscription and premier services 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.

Professional services are generally billed on a fixed price basis, for which revenue is recognized over time based on the proportion performed. Professional services revenue was not material as a percentage of total revenue 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 subscription services to our paying customers, including employee compensation and related expenses for data center operations, customer support and professional services personnel, payments to outside technology service providers, depreciation of servers and equipment, security services and other tools, as well as amortization expense associated with acquired technology and capitalized internally developed software. 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. As part of our hybrid cloud infrastructure strategy, we are in the process of migrating our primary data centers to significantly lower cost regions, which will allow us to optimize our infrastructure efficiency while supporting growth in our paying customers. We are seeing increased costs during the migration process, but the majority of our duplicative costs are behind us, and we expect to complete this migration in fiscal year 2021. Upon the completion of this migration, we expect our cost of revenue to increase in dollars but trend downwards as a percentage of revenue as we continue to drive efficiencies in our infrastructure 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, building an ecosystem of best-of-breed applications and platforms, adding enterprise grade features, functionality and enhancements such as workflow automation, intelligent content management capabilities, and advanced security to enhance the ease of use of our cloud content management services. We capitalize certain qualifying costs to develop software for internal use incurred during the application development stage. We expect our research and development expense to increase in dollars but remain stable as a percentage of revenue over time, even as we continue to make significant enhancements to our cloud content management product offerings and services and develop new technologies.

*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 data center and customer support costs related to providing our cloud-based services to our free users. We market and sell our cloud content management 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 our existing customer base grows and a relatively higher percentage of our revenue is attributable to renewals versus new or expanding Box deployments, and as we focus on improving sales productivity from our solution selling strategy and simplifying our product offerings while optimizing the size of our sales and marketing organization to capture strong demand globally.

*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, security, compliance, fees for external professional services and cloud based enterprise systems, as well as allocated overhead. External professional services fees are primarily comprised of outside legal, accounting, 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 benefit from even greater operational efficiency.

***Interest Expense, Net***

Interest expense, net consists of interest expense and interest income. Interest expense consists primarily of interest charges for our line of credit and interest rate swap agreement, interest expense related to finance leases (which we previously referred to as capital leases), unused commitment fees on our line of credit, the amortization of capitalized debt issuance costs, and fees on our letters of credit. Interest income consists primarily of interest earned on our cash and cash equivalents. We have historically invested our cash and cash equivalents in overnight deposits, certificates of deposit, money market funds, and short term, investment-grade corporate debt, marketable securities and asset backed securities.

***Other (Loss) Income, Net***

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

***Provision for Income Taxes***

Provision 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, as applicable, changes in our deferred taxes and related valuation allowance positions and uncertain tax positions.

**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. We adopted ASC Topic 842, effective February 1, 2019, and ASC Topic 606, effective February 1, 2018, both utilizing the modified retrospective method. The reported results for fiscal year 2020 reflect the application of ASC 842, and the reported results for fiscal year 2019 onwards reflect the application of ASC 606. The reported results for fiscal years presented prior to adoption are not adjusted and continue to be reported under ASC Topic 840 and ASC Topic 605.

	<u>Year Ended January 31,</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
	(in thousands)		
<b>Consolidated Statements of Operations Data:</b>			
Revenue . . . . .	\$696,264	\$608,386	\$506,142
Cost of revenue <sup>(1)(2)</sup> . . . . .	<u>215,577</u>	<u>173,594</u>	<u>135,248</u>
Gross profit . . . . .	480,687	434,792	370,894

	Year Ended January 31,		
	2020	2019	2018
	(in thousands)		
Operating expenses:			
Research and development <sup>(2)</sup>	199,750	163,750	136,791
Sales and marketing <sup>(1)(2)</sup>	317,615	312,210	303,319
General and administrative <sup>(1)(2)</sup>	102,794	93,069	84,805
Total operating expenses	620,159	569,029	524,915
Loss from operations	(139,472)	(134,237)	(154,021)
Interest expense, net	(2,338)	(316)	(1,013)
Other (loss) income, net	(1,128)	1,339	789
Loss before provision for income taxes	(142,938)	(133,214)	(154,245)
Provision for income taxes	1,410	1,398	715
Net loss	<u>\$(144,348)</u>	<u>\$(134,612)</u>	<u>\$(154,960)</u>

(1) Intangible assets amortization was not material for the periods presented.

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

	Year Ended January 31,		
	2020	2019	2018
	(in thousands)		
Cost of revenue	\$ 16,769	\$ 14,065	\$10,742
Research and development	62,565	45,189	37,733
Sales and marketing	38,030	36,864	31,742
General and administrative	28,624	23,178	17,268
Total stock-based compensation	<u>\$145,988</u>	<u>\$119,296</u>	<u>\$97,485</u>

	Year Ended January 31,		
	2020	2019	2018
<b>Percentage of Revenue:</b>			
Revenue	100%	100%	100%
Cost of revenue <sup>(1)(2)</sup>	31	29	27
Gross profit	69	71	73
Operating expenses:			
Research and development <sup>(2)</sup>	29	27	27
Sales and marketing <sup>(1)(2)</sup>	45	51	60
General and administrative <sup>(1)(2)</sup>	15	15	16
Total operating expenses	89	93	103
Loss from operations	(20)	(22)	(30)
Interest expense, net	(1)	—	—
Other (loss) income, net	—	—	—
Loss before provision for income taxes	(21)	(22)	(30)
Provision for income taxes	—	—	—
Net loss	<u>(21)%</u>	<u>(22)%</u>	<u>(30)%</u>

(1) Intangible assets amortization was not material for the periods presented.

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

	Year Ended January 31,		
	2020	2019	2018
Cost of revenue	2%	2%	2%
Research and development	9	8	8
Sales and marketing	6	6	6
General and administrative	4	4	3
Total stock-based compensation	<u>21%</u>	<u>20%</u>	<u>19%</u>

## Comparison of the Years Ended January 31, 2020 and 2019

### Revenue

	<u>Year Ended January 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2020</u>	<u>2019</u>		
	(dollars in thousands)			
Revenue . . . . .	\$696,264	\$608,386	\$87,878	14%

The increase in revenue was primarily driven by an increase in subscription services. The increase in subscription services was primarily due to the addition of new customers, as the number of paying organizations increased by 5% from January 31, 2019 to January 31, 2020, and strong attach rates of add-on products, which strengthened our price per seat. Also, in this period, we experienced continued renewals from, and expansion within, existing customers as they broadened their deployment of our product offerings, as reflected in our retention rate of 104% as of January 31, 2020.

### Cost of Revenue

	<u>Year Ended January 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2020</u>	<u>2019</u>		
	(dollars in thousands)			
Cost of revenue . . . . .	\$215,577	\$173,594	\$41,983	24%
Percentage of revenue . . . . .	31%	29%		

The increase in absolute dollars was primarily due to a net increase of \$12.7 million in depreciation primarily related to additional data center equipment and an increase of \$12.1 million in rent primarily related to the expansion of data centers and our temporary occupancy of redundant colocation facilities as we are migrating our data center footprint to lower cost regions. In addition, there was an increase of \$5.0 million in employee and related costs primarily driven by an increase in headcount from 320 employees as of January 31, 2019 to 364 employees as of January 31, 2020, an increase of \$3.6 million in allocated overhead costs attributable mainly to increased facilities and IT software and support service costs, and an increase of \$2.7 million in stock-based compensation expense primarily driven by equity grants to existing and new employees. Cost of revenue as a percentage of revenue increased two points year-over-year. As part of our hybrid cloud infrastructure strategy, we are in the process of migrating our primary data centers to significantly lower cost regions, which will allow us to optimize infrastructure efficiency while supporting growth in our paying customers. As part of the migration, we have incurred increased overall costs as we pay for duplicative data center footprints, with the majority of costs being incurred as of January 31, 2020. Therefore, we expect our cost of revenue as a percentage of revenue to decrease slightly in the fiscal year ending January 31, 2021.

### Research and Development

	<u>Year Ended January 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2020</u>	<u>2019</u>		
	(dollars in thousands)			
Research and development . . . . .	\$199,750	\$163,750	\$36,000	22%
Percentage of revenue . . . . .	29%	27%		

The increase in absolute dollars was primarily due to an increase of \$12.7 million in employee and related costs primarily driven by an increase in headcount from 409 employees as of January 31, 2019 to 441 employees as of January 31, 2020 and an increase of \$17.4 million in stock-based compensation expense primarily driven by equity grants to existing and new employees. The employee and related costs and stock-based compensation expense are net of an increase of \$8.3 million in capitalized internally developed software costs associated with the development of additional significant features and functionality to our products. In addition, there was an increase of \$5.5 million in allocated costs attributable mainly to increased facilities and IT software and support services costs. Research and development expenses as a percentage of revenue increased two points year-over-year. We continue to invest in enhancements of our product and services, develop new products, and further differentiate our offerings. We expect our research and development expenses to increase in dollars but remain relatively stable as a percentage of revenue over time, even as we continue to make significant enhancements to our cloud content management product offerings and services, including expanding our advanced security, intelligence, and workflow automation capabilities.

## *Sales and Marketing*

	<u>Year Ended January 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2020</u>	<u>2019</u>		
	(dollars in thousands)			
Sales and marketing . . . . .	\$317,615	\$312,210	\$5,405	2%
Percentage of revenue . . . . .	45%	51%		

The increase in absolute dollars was primarily due to an increase of \$7.8 million in commission expense primarily driven by increased sales and an increase of \$1.3 million in travel-related expenses. The increase in sales and marketing expenses were partially offset by a \$3.6 million decrease in marketing expenses for media and marketing events. Sales and marketing expenses as a percentage of revenue decreased six points year-over-year due to our focus on driving greater efficiency from our solution selling strategy and simplifying our product offerings.

Our sales and marketing expenses are generally higher for acquiring new customers than for expansions or renewals of existing customer subscriptions. We expect to continue to invest to capture our large market opportunity globally and capitalize on our competitive position with continued focus on our long-term margin objectives. 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 and as we continue to focus on improving sales productivity from our solution selling strategy and simplifying our product offerings, we expect that sales and marketing expenses will continue to decrease as a percentage of revenue.

## *General and Administrative*

	<u>Year Ended January 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2020</u>	<u>2019</u>		
	(dollars in thousands)			
General and administrative . . . . .	\$102,794	\$93,069	\$9,725	10%
Percentage of revenue . . . . .	15%	15%		

The increase in absolute dollars was primarily due to an increase of \$9.6 million in employee and related costs primarily driven by the increase in headcount from 316 employees as of January 31, 2019 to 361 employees as of January 31, 2020 and an increase of \$5.4 million in stock-based compensation expense primarily driven by equity grants to existing and new employees. The increase in general and administrative expenses was partially offset by a \$3.0 million decrease in outside agency costs and consulting services. General and administrative expense as a percentage of revenue remained flat year-over-year. We expect our general and administrative expense to increase in dollars but to decrease as a percentage of revenue over time as we benefit from even greater operational efficiency.

## *Interest Expense, Net and Other (Loss) Income, Net*

	<u>Year Ended January 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2020</u>	<u>2019</u>		
	(dollars in thousands)			
Interest expense, net . . . . .	\$(2,338)	\$ (316)	\$(2,022)	*
Other (loss) income, net . . . . .	(1,128)	1,339	(2,467)	*

\* Percentage change not meaningful

The increase in interest expense, net is primarily due to an increase in interest expense related to finance leases provisioned for our data center facilities, partially offset by an increase in interest income from our certificates of deposit and money market funds.

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



### *Provision for Income Taxes*

	<u>Year Ended January 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2020</u>	<u>2019</u>		
	(dollars in thousands)			
Provision for income taxes . . . . .	\$1,410	\$1,398	\$12	1%

The increase in provision expense was primarily due to a reduction in current tax expense, offset by a reduction in deferred tax benefit in Japan.

### **Comparison of the Years Ended January 31, 2019 and 2018**

#### *Revenue*

	<u>Year Ended January 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2019</u>	<u>2018</u>		
	(dollars in thousands)			
Revenue . . . . .	\$608,386	\$506,142	\$102,244	20%

The increase in revenue was primarily driven by an increase in subscription services. The increase in subscription services was primarily due to the addition of new customers, as the number of paying organizations increased by 12% from January 31, 2018 to January 31, 2019, and strong attach rates of add-on products, which strengthened our price per seat. Also, in this period, we experienced continued renewals from, and expansion within, existing customers as they broadened their deployment of our product offerings, as reflected in our retention rate of 108% as of January 31, 2019.

#### *Cost of Revenue*

	<u>Year Ended January 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2019</u>	<u>2018</u>		
	(dollars in thousands)			
Cost of revenue . . . . .	\$173,594	\$135,248	\$38,346	28%
Percentage of revenue . . . . .	29%	27%		

The increase in absolute dollars was primarily due to an increase of \$10.0 million in employee and related costs primarily driven by the increase in headcount from 266 employees as of January 31, 2018 to 320 employees as of January 31, 2019 and an increase of \$3.3 million in stock-based compensation expense primarily driven by equity grants to existing and new employees. In addition, there was an increase of \$6.7 million in data center and hosted data service costs, a net increase of \$5.3 million in depreciation primarily related to additional data center equipment, an increase of \$3.8 million in rent primarily related to the expansion of data centers, an increase of \$3.3 million in allocated costs attributable mainly to increased facilities and IT software and support services costs and a \$1.8 million increase in enterprise subscription software. Cost of revenue as a percentage of revenue increased two points year-over-year.

#### *Research and Development*

	<u>Year Ended January 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2019</u>	<u>2018</u>		
	(dollars in thousands)			
Research and development . . . . .	\$163,750	\$136,791	\$26,959	20%
Percentage of revenue . . . . .	27%	27%		

The increase in absolute dollars was primarily due to an increase of \$17.1 million in employee and related costs primarily driven by the increase in headcount from 358 employees as of January 31, 2018 to 409 employees as of January 31, 2019 and an increase of \$8.2 million in stock-based compensation expense primarily driven by equity grants to existing and new employees. In addition, there was an increase of \$3.7 million in allocated costs attributable mainly to increased facilities and IT software and support services costs and an increase of \$1.8 million related to outside agency costs and consulting services. The increase in

research and development expenses was partially offset by a \$3.5 million increase in capitalized internally developed software costs associated with the development of additional significant features and functionality to our products. Research and development expense as a percentage of revenue remained flat year-over-year.

### ***Sales and Marketing***

	<u>Year Ended January 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2019</u>	<u>2018</u>		
	(dollars in thousands)			
Sales and marketing . . . . .	\$312,210	\$303,319	\$8,891	3%
Percentage of revenue . . . . .	51%	60%		

The increase in absolute dollars was primarily due to an increase of \$18.0 million in employee and related costs primarily driven by the increase in headcount from 876 employees as of January 31, 2018 to 935 employees as of January 31, 2019 and an increase of \$5.1 million in stock-based compensation primarily driven by equity grants to existing and new employees. In addition, there was an increase of \$9.1 million in allocated costs attributable mainly to increased facilities and IT software and support services costs. The increase in sales and marketing expenses was partially offset by a \$19.6 million decrease of commission costs primarily due to the adoption of ASC Topic 606 and a \$2.9 million decrease in data center and customer support costs to support our free users. Sales and marketing expenses as a percentage of revenue decreased nine points year-over-year due to the adoption of ASC Topic 606, our focus on driving greater efficiency from our solution selling strategy, and a decrease in cost to support our free users.

### ***General and Administrative***

	<u>Year Ended January 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2019</u>	<u>2018</u>		
	(dollars in thousands)			
General and administrative . . . . .	\$93,069	\$84,805	\$8,264	10%
Percentage of revenue . . . . .	15%	16%		

The increase in absolute dollars was primarily due to an increase of \$4.7 million in employee and related costs primarily driven by the increase in headcount from 284 employees as of January 31, 2018 to 316 employees as of January 31, 2019 and an increase of \$5.9 million in stock-based compensation expense primarily driven by equity grants to existing and new employees. Despite an increase in absolute dollars, general and administrative expense as a percentage of revenue decreased one point year-over-year as we continued to benefit from greater operational efficiency and scale.

### ***Interest Expense, Net and Other Income, Net***

	<u>Year Ended January 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2019</u>	<u>2018</u>		
	(dollars in thousands)			
Interest expense, net . . . . .	\$ (316)	\$(1,013)	\$697	(69)%
Other income, net . . . . .	1,339	789	550	70%

Interest expense, net decreased primarily due to an increase in interest income from our certificates of deposit, which we obtained in fiscal year 2019, partially offset by an increase in interest expense related to finance leases provisioned for our data center facilities.

The increase in other income, net was primarily due to the recognition of a \$2.0 million gain from the sale of a strategic equity investment during the year ended January 31, 2019.

### ***Provision for Income Taxes***

	<u>Year Ended January 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2019</u>	<u>2018</u>		
	(dollars in thousands)			
Provision for income taxes . . . . .	\$1,398	\$715	\$683	96%

The increase in provision expense was primarily due to an increase in current tax expense in our foreign jurisdictions and state income tax in the U.S, partially offset by deferred tax income in Japan and a one-time tax benefit in fiscal year 2018 related to a release of an uncertain tax position.

## 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, 2020. 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 Annual Report on Form 10-K 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. We adopted ASC Topic 842, effective February 1, 2019, utilizing the modified retrospective method. The reported results for quarterly periods within fiscal year 2020 reflect the application of ASC Topic 842, while the reported results for the quarterly periods presented prior to adoption are not adjusted and continue to be reported under ASC Topic 840. This data should be read in conjunction with our audited consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. 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, 2020	Oct. 31, 2019	Jul. 31, 2019	Apr. 30, 2019	Jan. 31, 2019	Oct. 31, 2018	Jul. 31, 2018	Apr. 30, 2018
	(in thousands)							
<b>Consolidated Statements of Operations Data:</b>								
Revenue . . . . .	\$183,585	\$177,156	\$172,549	\$162,974	\$163,713	\$155,944	\$148,222	\$140,507
Cost of revenue <sup>(1)(2)</sup> . . . . .	<u>56,719</u>	<u>56,302</u>	<u>53,872</u>	<u>48,684</u>	<u>47,197</u>	<u>44,724</u>	<u>42,605</u>	<u>39,068</u>
Gross profit . . . . .	126,866	120,854	118,677	114,290	116,516	111,220	105,617	101,439
Operating expenses:								
Research and development <sup>(2)</sup> . . . . .	53,161	50,652	49,693	46,244	41,362	42,310	41,830	38,248
Sales and marketing <sup>(1)(2)</sup> . . . . .	75,451	82,939	80,405	78,820	73,738	84,490	76,984	76,998
General and administrative <sup>(1)(2)</sup> . . . . .	<u>26,835</u>	<u>26,496</u>	<u>24,856</u>	<u>24,607</u>	<u>23,110</u>	<u>23,884</u>	<u>24,022</u>	<u>22,053</u>
Total operating expenses . . . . .	<u>155,447</u>	<u>160,087</u>	<u>154,954</u>	<u>149,671</u>	<u>138,210</u>	<u>150,684</u>	<u>142,836</u>	<u>137,299</u>
Loss from operations . . . . .	(28,581)	(39,233)	(36,277)	(35,381)	(21,694)	(39,464)	(37,219)	(35,860)
Interest expense, net . . . . .	(1,197)	(738)	(335)	(68)	(108)	(47)	(91)	(70)
Other (loss) income, net . . . . .	<u>(288)</u>	<u>(653)</u>	<u>693</u>	<u>(880)</u>	<u>2,582</u>	<u>(321)</u>	<u>(579)</u>	<u>(343)</u>
Loss before provision for income taxes . . . . .	(30,066)	(40,624)	(35,919)	(36,329)	(19,220)	(39,832)	(37,889)	(36,273)
Provision for income taxes . . . . .	<u>324</u>	<u>272</u>	<u>315</u>	<u>499</u>	<u>474</u>	<u>364</u>	<u>196</u>	<u>364</u>
Net loss . . . . .	<u>\$ (30,390)</u>	<u>\$ (40,896)</u>	<u>\$ (36,234)</u>	<u>\$ (36,828)</u>	<u>\$ (19,694)</u>	<u>\$ (40,196)</u>	<u>\$ (38,085)</u>	<u>\$ (36,637)</u>
Net loss per share, basic and diluted . . . . .	<u>\$ (0.20)</u>	<u>\$ (0.28)</u>	<u>\$ (0.25)</u>	<u>\$ (0.25)</u>	<u>\$ (0.14)</u>	<u>\$ (0.28)</u>	<u>\$ (0.27)</u>	<u>\$ (0.26)</u>
Weighted-average shares used to compute net loss per share, basic and diluted . . . . .	<u>150,031</u>	<u>148,555</u>	<u>147,032</u>	<u>145,275</u>	<u>143,703</u>	<u>142,366</u>	<u>140,718</u>	<u>138,524</u>

(1) Intangible assets amortization was not material for the periods presented.

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

	Three Months Ended							
	Jan. 31, 2020	Oct. 31, 2019	Jul. 31, 2019	Apr. 30, 2019	Jan. 31, 2019	Oct. 31, 2018	Jul. 31, 2018	Apr. 30, 2018
	(in thousands)							
Cost of revenue . . . . .	\$ 4,370	\$ 4,428	\$ 4,360	\$ 3,611	\$ 3,785	\$ 3,598	\$ 3,561	\$ 3,121
Research and development . . . . .	17,687	16,653	15,250	12,975	11,521	12,043	11,477	10,148
Sales and marketing . . . . .	9,386	9,250	9,994	9,400	9,163	9,708	9,932	8,061
General and administrative . . . . .	7,620	7,427	7,201	6,376	5,741	6,441	5,713	5,283
Total stock-based compensation . . . . .	<u>\$39,063</u>	<u>\$37,758</u>	<u>\$36,805</u>	<u>\$32,362</u>	<u>\$30,210</u>	<u>\$31,790</u>	<u>\$30,683</u>	<u>\$26,613</u>

### Quarterly Revenue Trends

Our quarterly revenue generally increased sequentially for all periods presented due primarily to the addition of new customers, strong attach rates of add-on products, and the continued 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. Our first quarter revenue is negatively impacted relative to the preceding fourth quarter due to the fewer number of days in the first quarter over which we record subscription and premier service revenue as compared to the preceding fourth quarter.

### 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. Our research and development expenses generally grew over the periods as we continued to invest in enhancements of our products and developed new products. Sales and marketing expenses fluctuated quarter to quarter as we continued to focus on driving greater efficiency from our solution selling strategy and simplifying our product offerings. In addition, we incurred higher sales and marketing expenses in our third quarter due to our annual users' conference. Although general and administrative costs generally increased in recent quarters, the increase was at a slower pace in comparison to our revenue as a result of greater operational efficiency and scale.

Our quarterly operating results may fluctuate due to various factors affecting our performance. As noted above, we recognize revenue from subscription and premier services 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.

### Liquidity and Capital Resources

	Year Ended January 31,		
	2020*	2019**	2018***
	(in thousands)		
Net cash provided by operating activities . . . . .	\$ 44,713	\$ 55,321	\$ 35,391
Net cash used in investing activities . . . . .	(13,296)	(16,151)	(11,715)
Net cash used in financing activities . . . . .	(53,416)	(29,567)	(19,830)

\* As reported and disclosed under ASC Topic 842 and ASC Topic 606

\*\* As reported and disclosed under ASC Topic 840 and ASC Topic 606

\*\*\* As reported and disclosed under ASC Topic 840 and ASC Topic 605; adjusted due to the adoption of ASU 2016-18

As of January 31, 2020, we had cash, cash equivalents, and restricted cash of \$195.6 million. Our cash and cash equivalents are comprised primarily of overnight cash deposits, certificates of deposit, and money market funds. Despite generating significant operating losses as reflected in our accumulated deficit, we generated positive cash flows from operations as reflected in our consolidated statements of cash flows for the twelve-month period ended January 31, 2020. While we may continue to incur operating losses, we expect to continuously improve overall cash flows from operations through improvements to our working capital management processes to provide capital resources for 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 finance leases and 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, data center expansions, 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.

On November 27, 2017, we entered into a secured credit agreement (as amended or otherwise modified from time to time, the “November 2017 Facility”) with a maturity date of November 27, 2020. On November 29, 2017, the restrictions on our certificates of deposit that collateralized the letters of credit were released as the letters of credit were included under the November 2017 Facility sublimit. As such, we released \$26.1 million from restricted cash to cash and cash equivalents.

On July 12, 2019, we entered into Amendment No. 1 to the November 2017 Facility. Pursuant to the terms of the amendment, among other changes, (i) the maturity date of borrowings under the November 2017 Facility was extended from November 27, 2020 to July 12, 2022; (ii) the revolving commitments were increased from \$85.0 million to \$100.0 million; (iii) the sublimit for the issuance of letters of credit was increased from \$30.0 million to \$45.0 million; and (iv) the covenant in the November 2017 Facility that limits the amount of finance leases and debt that we can incur to finance the acquisition, construction or improvement of any equipment or capital assets was increased from \$100.0 million to \$200.0 million. The proceeds of the revolving loans may be used for general corporate purposes. The revolving loans accrue interest at a prime rate plus a margin of 0.25% or, at our option, a LIBOR rate (based on one, three or six-month interest periods) plus a margin of 1.00%. Interest on the revolving loans is payable quarterly in arrears with respect to loans based on the prime rate and at the end of an interest period in the case of loans based on the LIBOR rate (or at each three-month interval if the interest period is longer than three months). Borrowings under the November 2017 Facility are collateralized by substantially all of our assets. The November 2017 Facility requires us to comply with a maximum leverage ratio and a minimum liquidity requirement. Additionally, the November 2017 Facility contains customary affirmative and negative covenants, including covenants limiting our, and our subsidiaries’, ability to, among other things, grant liens, incur debt, pay dividends or distributions on the capital stock, effect certain mergers, make investments, dispose of assets and enter into transactions with affiliates, in each case subject to customary exceptions for a credit facility of the size and type of the November 2017 Facility.

### *Operating Activities*

For the year ended January 31, 2020, cash provided by operating activities was \$44.7 million. The primary factors affecting our operating cash flows during this period were our net loss of \$144.3 million, offset by non-cash charges of \$146.0 million for stock-based compensation, \$59.4 million for depreciation and amortization of our property and equipment and capitalized software, \$25.9 million for amortization of deferred commissions, and net cash outflows of \$42.1 million provided by changes in our operating assets and liabilities. The primary drivers for the changes in operating assets and liabilities include a \$44.0 million increase in deferred commissions primarily due to new and expanded deployments with paying customers during the period, a \$35.1 million decrease in operating lease liabilities, a \$34.3 million increase in accounts receivable that was primarily due to higher sales and relative timing of our cash collections, a \$7.1 million increase in prepaid expenses and other assets, and a \$5.9 million decrease in accrued expenses and other liabilities, partially offset by a \$48.8 million increase in deferred revenue that was primarily due to seasonality in our sales cycle which is concentrated in the back half of our fiscal year, predominantly in the last quarter, and a \$35.4 million decrease in operating right-of-use assets.

For the year ended January 31, 2019, cash provided by operating activities was \$55.3 million. Our operating cash flows during this period reflects our net loss of \$134.6 million, adjusted by a \$2.0 million gain from the sale of a strategic equity investment, non-cash charges including \$119.3 million for stock-based compensation, \$46.3 million for depreciation and amortization of our property and equipment and intangible assets,

\$17.3 million for amortization of deferred commissions, and net cash inflow of \$8.4 million provided by changes in our operating assets and liabilities. The primary drivers of the changes in operating assets and liabilities were a \$63.9 million increase in deferred revenue that was primarily due to seasonality in our sales cycle concentrated in the back half of our fiscal year, predominantly in the last quarter, partially offset by a \$37.6 million increase in deferred commissions primarily due to the adoption of ASC Topic 606 in addition to new and expanded deployments with paying customers during this period, a \$12.4 million increase in accounts receivable that was primarily due to higher sales and relative timing of our cash collections, and a \$5.0 million increase in prepaid expenses and other assets.

For the year ended January 31, 2018, cash provided by operating activities was \$35.4 million. The primary factors affecting our operating cash flows during this period were our net loss of \$155.0 million, partially offset by non-cash charges of \$97.5 million for stock-based compensation, \$40.1 million for depreciation and amortization of our property and equipment and intangible assets, \$21.5 million for amortization of deferred commissions, and net cash inflows of \$31.4 million provided by changes in our operating assets and liabilities. The primary drivers of the changes in operating assets and liabilities were a \$78.9 million increase in deferred revenue, a \$12.9 million increase in accrued expenses and other liabilities, a \$6.9 million increase in accounts payable, and a \$3.2 million increase in deferred rent, partially offset by a \$42.0 million increase in accounts receivable, a \$26.1 million increase in deferred commissions, and a \$2.4 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, strong attach rates of add-on products, renewals and expansion of our existing customers as they broadened their deployment of our services, and an enhanced developer fee from one of our resellers. The increase in accrued expenses, other liabilities, and accounts payable was primarily attributable to timing of invoice payments. The increase in accounts receivable was due to higher sales and the timing of our cash collections between the two periods. The increase in deferred commissions was due to higher sales.

### ***Investing Activities***

Cash used in investing activities of \$13.3 million for the year ended January 31, 2020 was primarily due to \$8.0 million of capitalized internally developed software costs associated with the development of additional significant features and functionality to our products. In addition, included in cash used in investing activities was \$5.5 million of fixed asset purchases to support our increased headcount.

Cash used in investing activities of \$16.2 million for the year ended January 31, 2019 was primarily due to our investments in Austin, Tokyo, London, and New York facilities for capacity expansions and in our data center infrastructure to support the increasing demands, as well as fixed asset purchases to support our increased headcount. In addition, there was an increase of \$2.8 million in capitalized internally developed software costs associated with the development of additional significant features and functionality to our products. These increases in investing activities are partially offset by the proceeds from the sale of a strategic equity investment of \$1.9 million.

Cash used in investing activities of \$11.7 million for the year ended January 31, 2018 was primarily due to our facilities investments in Austin, London, and Tokyo.

### ***Financing Activities***

Cash used in financing activities of \$53.4 million for the year ended January 31, 2020 was primarily due to \$43.3 million of employee payroll taxes paid related to net share settlement of restricted stock, \$38.5 million of principal payments of finance lease liabilities, and \$0.9 million of contingent consideration payments in connection with business combinations in fiscal year 2019, partially offset by \$23.4 million of proceeds from issuances of common stock under the 2015 ESPP and \$6.0 million of proceeds from the exercise of stock options.

Cash used in financing activities of \$29.6 million for the year ended January 31, 2019 was primarily due to \$43.8 million of employee payroll taxes paid related to net share settlement of restricted stock units reflecting an increase in equity grants driven by headcount increases and the valuation of our share price and \$23.9 million of payments of finance lease obligations, partially offset by \$21.9 million of proceeds from issuances of common stock under the 2015 ESPP and \$16.3 million of proceeds from the exercise of stock options.

Cash used in financing activities of \$19.8 million for the year ended January 31, 2018 was primarily due to \$34.8 million of employee payroll taxes paid related to net share settlement of restricted stock units, \$16.1 million of payments of finance lease obligations, and \$1 million of acquisition-related contingent consideration, partially offset by \$17.5 million of proceeds from issuances of common stock under the 2015 ESPP and \$14.5 million of proceeds from exercise of stock options.

## Contractual Obligations and Commitments

The following summarizes our contractual obligations and commitments as of January 31, 2020:

	Payments Due by Period (in thousands)				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Debt <sup>(1)</sup> . . . . .	\$ 42,938	\$ 1,202	\$ 41,736	\$ —	\$ —
Operating lease obligations, net of sublease income amounts <sup>(2)</sup> . . . . .	296,212	52,394	89,750	66,323	87,745
Finance leases <sup>(3)</sup> . . . . .	148,099	60,092	75,888	12,119	—
Purchase obligations <sup>(4)</sup> . . . . .	237,237	18,733	51,402	868	166,234
Total . . . . .	<u>\$724,486</u>	<u>\$132,421</u>	<u>\$258,776</u>	<u>\$79,310</u>	<u>\$253,979</u>

- (1) Includes principal, interest, and unused commitment fees on our line of credit under the November 2017 Facility.
- (2) Includes operating lease liabilities for certain of our offices and data centers. As of January 31, 2020, we expect to receive sublease income of \$22.1 million over the next three years from tenants in certain of our leased facilities. The amounts set forth in the table above do not include any sublease income nor do they include payments for short-term leases or variable lease payments.
- (3) Includes obligations related to our servers and related equipment for our data center operations.
- (4) Includes purchase obligations which were not recognized on the balance sheet as of January 31, 2020, related primarily to infrastructure services and IT software and support services costs. During the year ended January 31, 2020, we entered into multiple contracts for infrastructure services and IT software, with terms ranging from 2 to 8 years, which have increased our purchase obligations in comparison to previous reporting periods. These contracts support our long-term goals of improving gross margin. In addition to the purchase obligations included in the table above, as of January 31, 2020, we had recognized a total of \$10.6 million related to non-cancellable contractual purchases, which were included in accrued expenses and other current liabilities and other long-term liabilities on the balance sheet. \$2.0 million, \$3.1 million and \$5.3 million is due to be paid in the years ending January 31, 2021, 2022 and 2023, respectively.

## Off-Balance Sheet Arrangements

Through January 31, 2020, 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 of the Notes to our consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K, 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 from three sources: (1) subscription revenue, which is comprised of subscription fees from customers who have access to our cloud content management platform and other subscription-based services, which all include routine customer support; (2) revenue from customers purchasing our premier services package; and (3) revenue from professional services such as implementing best practice use cases, project management and implementation consulting services.

Revenue is recognized when control of these services is transferred to a customer. The amount of revenue recognized reflects the consideration we expect to be entitled to in exchange for those services.

We determine revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as we, satisfy a performance obligation

#### *Subscription and Premier Services Revenues*

We recognize revenue when, or as we, satisfy a performance obligation. Accordingly, due to our subscription model, we recognize revenue for our subscription and premier services ratably over the contract term.

We typically invoice our customers at the beginning of the term, in multiyear, annual, quarterly or monthly installments. Our subscription and premier services contracts generally range from one to three years in length, 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.

#### *Professional Services*

Professional services are generally billed on a fixed price basis, for which revenue is recognized over time based on the proportion performed.

#### *Contracts with Multiple Performance Obligations*

Our contracts can include multiple performance obligations which may consist of some or all of subscription services, premier services, and professional services. For these contracts, we account for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. We determine the standalone selling prices based on our overall pricing objectives, taking into consideration 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.

#### *Deferred Revenue*

Deferred revenue consists of billings in advance of revenue recognition generated by our subscription services, premier services, and professional services described above.

#### *Deferred Commissions*

Sales commissions earned by our sales force are considered incremental and recoverable costs of obtaining a contract with a customer. Sales commissions for new contracts are deferred and then amortized on a straight-line basis over a period of benefit that we have estimated to be five years. We determined the period of benefit by taking into consideration our customer contracts, our technology and other factors. Sales commissions for renewal contracts are deferred and then amortized on a straight-line basis over the related contractual renewal period. Amortization expense is included in sales and marketing expenses on the consolidated statements of operations.

#### *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, qualifying internal and external costs are capitalized until the application is substantially complete and ready for its intended use. Capitalized qualifying costs are



amortized on a straight-line basis when the software is ready for its intended use over an estimated useful life, which is generally three years. Internal-use software costs also include on-premises software, which is amortized over the lesser of five years or the license term. We evaluate the useful lives of these assets on an annual basis and test for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.

### ***Leases***

We determine whether an arrangement contains a lease at inception. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To determine whether a contract is or contains a lease, we consider all relevant facts and circumstances to assess whether the customer has both of the following:

- the right to obtain substantially all of the economic benefits from use of the identified asset
- the right to direct the use of the identified asset

We recognize lease liabilities and right-of-use assets at lease commencement. We measure lease liabilities based on the present value of lease payments over the lease term discounted using the rate implicit in the lease when that rate is readily determinable or our incremental borrowing rate. We estimate our incremental borrowing rate based on an analysis of publicly traded debt securities of companies with credit and financial profiles similar to our own and adjust our incremental borrowing rate to reflect the corresponding lease term. We do not include in the lease term options to extend or terminate the lease unless it is reasonably certain that we will exercise any such options. We account for the lease and non-lease components as a single lease component for all our leases.

We measure right-of-use assets based on the corresponding lease liabilities adjusted for (i) prepayments made to the lessor at or before the commencement date, (ii) initial direct costs we incur, and (iii) tenant incentives under the lease. We evaluate the recoverability of our right-of-use assets for possible impairment in accordance with our long-lived assets policy. We do not recognize right-of-use assets or lease liabilities for short-term leases, which have a lease term of twelve months or less, and recognize the associated lease payments in the consolidated statements of operations on a straight-line basis over the lease term.

Operating leases are reflected in operating lease right-of-use assets, operating lease liabilities, and operating lease liabilities, non-current on our consolidated balance sheets. Finance leases are included in property and equipment, net, finance lease liabilities, and finance lease liabilities, non-current on our consolidated balance sheets.

We begin recognizing rent expense when the lessor makes the underlying asset available to us. We recognize rent expense under our operating leases on a straight-line basis. For finance leases, we record interest expense on the lease liability in addition to amortizing the right-of-use asset (generally straight-line) over the shorter of the lease term or the useful life of the right-of-use asset. Variable lease payments are expensed as incurred and are not included within the lease liabilities and right-of-use assets calculation. We generally recognize sublease income on a straight-line basis over the sublease term.

### ***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 Equity Incentive Plan (2015 Plan) and 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 Plan and 2015 ESPP. 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 Black-Scholes 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.* We use the market closing price for our Class A common stock as reported on the New York Stock Exchange to determine the fair value of our common stock at each grant date.
- *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 2015 ESPP purchase rights.
- *Expected Volatility.* Beginning in fiscal year 2019, we estimate the expected volatility of the stock option grants and 2015 ESPP purchase rights based on the historical volatility of our Class A common stock over a period equivalent to the expected term of the stock option grants and 2015 ESPP purchase rights, respectively. In previous years, the expected volatility was derived from the historical stock volatilities of several unrelated public companies within the same industry that we considered to be comparable to our business over a period equivalent to the expected term of the stock option grants and 2015 ESPP purchase rights as we did not have sufficient trading history of our Class A common stock.
- *Risk-free Interest Rate.* The risk-free rate that we use is based on the implied yield available on U.S. Treasury zero-coupon issues with remaining terms similar to the expected term on the options and 2015 ESPP purchase rights.
- *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.

Refer to Note 10 of the Notes to our Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for a summary of the assumptions used to estimate the fair value of stock option and ESPP purchase rights.

For performance-based restricted stock units that vest based upon continued service and achievement of certain performance conditions established by the board of directors for a predetermined period, the fair value is determined based upon the market closing price of our Class A common stock on the date of the grant; compensation expense is recognized over the requisite service period if it is probable that the performance condition will be satisfied based on the accelerated attribution method.

In addition, we have issued performance-based stock options that vest based upon continued service through the vesting term and achievement of certain market conditions established by the board of directors for a predetermined period. We measure stock-based compensation expense for performance-based stock options containing market conditions based on the estimated grant date fair value determined using the Monte Carlo valuation model; we recognize compensation expense for such awards over the requisite service period using the accelerated attribution method.

We estimate the expected forfeiture rate and only recognize expense for those shares that are expected to vest. We estimate the expected forfeiture rate at the date of grant based on historical experience and our expectations regarding future pre-vesting termination behavior of employees and other service providers and revise the estimates, if necessary, in subsequent periods if actual forfeitures differ from those estimates. 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.

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

We evaluate the recoverability of property and equipment and operating lease right-of-use 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 property and equipment is not recoverable, the carrying amount of such assets is reduced to fair value. We have not recorded any significant impairment charges 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 quantitative 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 quantitative goodwill impairment test will be performed. The quantitative goodwill impairment test identifies goodwill impairment and measures the amount of goodwill impairment loss to be recognized by comparing the fair value of our single reporting unit with its carrying amount. If the fair value exceeds its carrying amount, no further analysis is required; otherwise, 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. No impairment of goodwill has been identified during the years presented.

Acquired finite-lived intangible assets are typically amortized over the estimated useful lives of the assets, 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 charges during the years presented.

#### ***Recently Adopted and Issued Accounting Pronouncements***

Refer to Note 2 of the Notes to our Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K regarding the effect of recently adopted and issued accounting pronouncements on our financial statements.

#### ***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 income (loss), non-GAAP operating margin, non-GAAP net income (loss), non-GAAP net income (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 income (loss) and non-GAAP operating margin***

We define non-GAAP operating income (loss) as operating income (loss) excluding expenses related to stock-based compensation (SBC), intangible assets amortization, and as applicable, other special items. Non-GAAP operating margin is defined as non-GAAP operating income (loss) divided by revenue. Although SBC is an important aspect of the compensation of our 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 SBC 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. Furthermore, Box excludes the following expenses as they are considered by management to be special items outside of Box's core operating results: (1) fees related to shareholder activism, which include directly applicable third-party advisory and professional service fees, (2) expenses related to certain litigation, and (3) expenses associated with restructuring activities, consisting primarily of severance and other personnel-related costs. There are no expenses related to litigation excluded from non-GAAP operating income (loss) in any of the periods presented.

#### *Non-GAAP net income (loss) and net income (loss) per share*

We define non-GAAP net income (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 net income (loss). These items include expenses related to certain litigation because they are considered by management to be special items outside our core operating results. We define non-GAAP net income (loss) per share as non-GAAP net income (loss) divided by the weighted-average outstanding shares. Similarly, the same adjusting items specified in our reconciliation of GAAP to non-GAAP net income (loss) are also excluded from the calculation of non-GAAP net income (loss) per share.

#### *Free Cash Flow*

We define free cash flow as cash flows from operating activities less purchases of property and equipment, principal payments of finance lease liabilities, capitalized internally developed software costs, 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. 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 net cash provided by 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 financial 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.

The following table sets forth our reconciliation of the non-GAAP financial measures for years ended January 31, 2020, 2019 and 2018 (in thousands, except per share data and percentages). We adopted ASC Topic 842, effective February 1, 2019, and ASC Topic 606, effective February 1, 2018, both utilizing the modified retrospective method. The reported results for fiscal year 2020 reflect the application of ASC 842, and the reported results for fiscal year 2019 onwards reflect the application of ASC 606. The reported results for fiscal years presented prior to adoption are not adjusted and continue to be reported under ASC Topic 840 and ASC Topic 605.

	Year Ended January 31,		
	2020	2019 (in thousands)	2018
GAAP operating loss	\$(139,472)	\$(134,237)	\$(154,021)
Stock-based compensation	145,988	119,296	97,485
Intangible assets amortization	—	24	519
Fees related to shareholder activism	1,154	—	—
Restructuring activities	1,651	—	—
Non-GAAP operating income (loss)	<u>\$ 9,321</u>	<u>\$ (14,917)</u>	<u>\$ (56,017)</u>
GAAP operating margin	(20)%	(22)%	(30)%
Stock-based compensation	21	20	19
Intangible assets amortization	—	—	—
Fees related to shareholder activism	—	—	—
Restructuring activities	—	—	—
Non-GAAP operating margin	<u>1%</u>	<u>(2)%</u>	<u>(11)%</u>
GAAP net loss	\$(144,348)	\$(134,612)	\$(154,960)
Stock-based compensation	145,988	119,296	97,485
Intangible assets amortization	—	24	519
Fees related to shareholder activism	1,154	—	—
Gain on investment in strategic equity securities	—	(2,035)	—
Restructuring activities	1,651	—	—
Non-GAAP net income (loss)	<u>\$ 4,445</u>	<u>\$ (17,327)</u>	<u>\$ (56,956)</u>
GAAP net loss per share, basic and diluted	\$ (0.98)	\$ (0.95)	\$ (1.16)
Stock-based compensation	0.99	0.84	0.73
Intangible assets amortization	—	—	—
Fees related to shareholder activism	0.01	—	—
Gain on investment in strategic equity securities	—	(0.01)	—
Restructuring activities	0.01	—	—
Non-GAAP net income (loss) per share, basic	<u>\$ 0.03</u>	<u>\$ (0.12)</u>	<u>\$ (0.43)</u>
Non-GAAP net income (loss) per share, diluted	<u>\$ 0.03</u>	<u>\$ (0.12)</u>	<u>\$ (0.43)</u>
Weighted-average shares used to compute GAAP net loss per share, basic and diluted	147,762	141,351	133,932
Weighted-average shares used to compute Non-GAAP net income (loss) per share			
Basic	147,762	141,351	133,932
Diluted	153,755	141,351	133,932
Net cash provided by operating activities	\$ 44,713	\$ 55,321	\$ 35,391*
Purchases of property and equipment	(5,452)	(14,808)	(11,822)
Principal payments of finance lease liabilities	(38,542)	(23,930)	(16,052)
Capitalized internal-use software costs	(7,957)	(2,761)	—
Free cash flow	<u>\$ (7,238)</u>	<u>\$ 13,822</u>	<u>\$ 7,517*</u>
Net cash used in investing activities	<u>\$ (13,296)</u>	<u>\$ (16,151)</u>	<u>\$ (11,715)</u>
Net cash used in financing activities	<u>\$ (53,416)</u>	<u>\$ (29,567)</u>	<u>\$ (19,830)</u>

\* Adjusted due to the adoption of ASU 2016-18

## **Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### ***Interest Rate Risk***

We had cash, cash equivalents, and restricted cash of \$195.6 million as of January 31, 2020. Our cash and cash equivalents primarily consist of overnight deposits, certificates of deposit, and money market funds. We 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.

Interest rate risk also reflects our exposure to movements in interest rates associated with the November 2017 Facility. As of January 31, 2020, we had total debt outstanding with a carrying amount of \$40.0 million which approximates fair value. The revolving loans accrue interest at a prime rate plus a margin of 0.25% or, at our option, a LIBOR rate (based on one, three or six-month interest periods) plus a margin of 1.00%.

Effective September 5, 2019, we entered into a Swap Agreement with Wells Fargo Bank, National Association, in order to minimize our interest rate risk exposure due to the volatility of LIBOR. Under the Swap Agreement, we have hedged a portion of the variable interest payments of our debt by effectively fixing our interest payments over the five year term of the agreement. As of January 31, 2020, our interest rate swap had a notional value of \$30.0 million.

A hypothetical 10% increase or decrease in interest rates after January 31, 2020 under the November 2017 Facility and in connection with our interest rate swap agreement would not have a material impact on the combined net fair value of our outstanding debt and swap agreement.

### ***Foreign Currency Risk***

Our sales contracts are denominated predominantly in U.S. dollars. We support sales contracts denominated in 17 foreign currencies and consequently, our customer billings denominated in foreign currencies are subject to foreign currency exchange risk. Eleven of the 17 currencies are only offered at this time through our online sales experience and are required to be settled by credit cards; accordingly, our foreign currency exposure on these transactions is limited only to ordinary credit card settlement timeframes. 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. Our international subsidiaries maintain certain asset and liability balances that are denominated in foreign currencies. Additionally, fluctuations in foreign currency exchange rates can result in fluctuations in our total assets, liabilities, and cash flows and may cause us to recognize transaction gains and losses in our statement of operations impacting our revenue and operating expenses. To date we have managed our foreign currency risk by maintaining offsetting assets and liabilities and minimizing non-U.S. dollar 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. For the year ended January 31, 2020, we incurred \$1.1 million in foreign exchange losses. There were no material foreign exchange gains or losses for the years ended January 31, 2019 and 2018.

**Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**BOX, INC.**

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## Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of Box, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Box, Inc. (the Company) as of January 31, 2020 and 2019, and the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for each of the three years in the period ended January 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at January 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended January 31, 2020, 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) (PCAOB), the Company's internal control over financial reporting as of January 31, 2020, 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 19, 2020 expressed an unqualified opinion thereon.

### Adoption of ASU No. 2014-09

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for revenue from contracts with customers, and incremental costs to acquire contracts with customers, due to the adoption of ASU No. 2014-09, *Revenue from contracts with customers (Topic 606)*, and the related amendments, effective February 1, 2018.

### Adoption of ASU No. 2016-02

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for leases due to the adoption of ASU No. 2016-02, *Leases (Topic 842)*, and the related amendments, effective February 1, 2019.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.



***Revenue recognition—evaluation of contract terms and conditions***

*Description of the Matter*

As discussed in Note 2 to the consolidated financial statements, the Company derives its revenues primarily from subscription services, premier services packages and professional services. The Company determines revenue recognition following a five-step framework in line with ASC 606. Management applies significant effort and judgment in identifying and evaluating any non-standard terms and conditions in contracts which may impact revenue recognition.

Auditing revenue recognition was challenging and complex due to the significant amount of effort and judgment required in the identification and evaluation of terms and conditions in contracts that impact revenue recognition.

*How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's controls over the internal review and assessment of terms and conditions within contracts that would impact revenue recognition in accordance with ASC 606.

Our substantive procedures included, among others, testing the completeness and accuracy of management's identification and evaluation of terms and conditions within contracts, reading executed contracts for a sample of revenue transactions and evaluating whether the Company appropriately applied its revenue recognition policy to the arrangements based on the terms and conditions therein. We additionally assessed the appropriateness of the related disclosures in the consolidated financial statements.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2012.

San Jose, California

March 19, 2020

## **Report of Independent Registered Public Accounting Firm**

To the Stockholders and Board of Directors of Box, Inc.

### **Opinion on Internal Control Over Financial Reporting**

We have audited Box, Inc.'s internal control over financial reporting as of January 31, 2020, 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). In our opinion, Box, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of January 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of January 31, 2020 and 2019, and the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for each of the three years in the period ended January 31, 2020, and the related notes and our report dated March 19, 2020 expressed an unqualified opinion thereon.

### **Basis for Opinion**

The Company'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 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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

### **Definition and Limitations of Internal Control Over Financial Reporting**

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.

/s/ Ernst & Young LLP

San Jose, California  
March 19, 2020

**BOX, INC.**

**CONSOLIDATED BALANCE SHEETS**  
(In thousands)

	January 31	
	2020*	2019**
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents . . . . .	\$ 195,586	\$ 217,518
Accounts receivable, net of allowance of \$3,221 and \$2,728 . . . . .	209,434	175,130
Prepaid expenses and other current assets . . . . .	21,865	14,223
Deferred commissions . . . . .	30,841	21,683
Total current assets . . . . .	457,726	428,554
Property and equipment, net . . . . .	190,976	137,703
Operating lease right-of-use assets, net . . . . .	197,806	—
Goodwill . . . . .	18,740	18,740
Restricted cash . . . . .	—	238
Deferred commissions, non-current . . . . .	62,762	53,880
Other long-term assets . . . . .	31,981	11,046
Total assets . . . . .	\$ 959,991	\$ 650,161
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable . . . . .	\$ 16,752	\$ 15,431
Accrued compensation and benefits . . . . .	32,516	34,484
Accrued expenses and other current liabilities . . . . .	25,700	31,378
Finance lease liabilities . . . . .	54,634	28,317
Operating lease liabilities . . . . .	40,339	—
Deferred revenue . . . . .	407,493	353,590
Total current liabilities . . . . .	577,434	463,200
Debt, non-current . . . . .	40,000	40,000
Finance lease liabilities, non-current . . . . .	83,427	44,597
Operating lease liabilities, non-current . . . . .	206,141	—
Deferred revenue, non-current . . . . .	16,356	21,451
Other long-term liabilities . . . . .	14,276	49,508
Total liabilities . . . . .	937,634	618,756
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock, par value \$0.0001 per share; 100,000 shares authorized, no shares issued and outstanding as of January 31, 2020 and 2019 . . . . .	—	—
Class A common stock, par value \$0.0001 per share; 1,000,000 shares authorized; 150,611 and 144,311 shares issued and outstanding as of January 31, 2020 and 2019, respectively . . . . .	15	14
Additional paid-in capital . . . . .	1,302,072	1,166,443
Treasury stock . . . . .	(1,177)	(1,177)
Accumulated other comprehensive (loss) income . . . . .	(307)	23
Accumulated deficit . . . . .	(1,278,246)	(1,133,898)
Total stockholders' equity . . . . .	22,357	31,405
Total liabilities and stockholders' equity . . . . .	\$ 959,991	\$ 650,161

\* As reported and disclosed under ASC Topic 842

\*\* As reported and disclosed under ASC Topic 840

See notes to consolidated financial statements

**BOX, INC.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per share data)

	Year Ended January 31,		
	2020*	2019**	2018***
Revenue . . . . .	\$ 696,264	\$ 608,386	\$ 506,142
Cost of revenue . . . . .	<u>215,577</u>	<u>173,594</u>	<u>135,248</u>
Gross profit . . . . .	480,687	434,792	370,894
Operating expenses:			
Research and development . . . . .	199,750	163,750	136,791
Sales and marketing . . . . .	317,615	312,210	303,319
General and administrative . . . . .	<u>102,794</u>	<u>93,069</u>	<u>84,805</u>
Total operating expenses . . . . .	<u>620,159</u>	<u>569,029</u>	<u>524,915</u>
Loss from operations . . . . .	(139,472)	(134,237)	(154,021)
Interest expense, net . . . . .	(2,338)	(316)	(1,013)
Other (loss) income, net . . . . .	<u>(1,128)</u>	<u>1,339</u>	<u>789</u>
Loss before provision for income taxes . . . . .	(142,938)	(133,214)	(154,245)
Provision for income taxes . . . . .	<u>1,410</u>	<u>1,398</u>	<u>715</u>
Net loss . . . . .	<u>\$(144,348)</u>	<u>\$(134,612)</u>	<u>\$(154,960)</u>
Net loss per share, basic and diluted . . . . .	<u>\$ (0.98)</u>	<u>\$ (0.95)</u>	<u>\$ (1.16)</u>
Weighted-average shares used to compute net loss per share, basic and diluted . . . . .	<u>147,762</u>	<u>141,351</u>	<u>133,932</u>

\* As reported and disclosed under ASC Topic 842 and ASC Topic 606

\*\* As reported and disclosed under ASC Topic 840 and ASC Topic 606

\*\*\* As reported and disclosed under ASC Topic 840 and ASC Topic 605

See notes to consolidated financial statements

**BOX, INC.**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**(In thousands)**

	Year Ended January 31,		
	2020*	2019**	2018***
Net loss .....	\$(144,348)	\$(134,612)	\$(154,960)
Other comprehensive (loss) income****:			
Changes in foreign currency translation adjustment .....	(124)	(265)	408
Net unrealized loss on cash flow hedge.....	(206)	—	—
Other comprehensive (loss) income: .....	(330)	(265)	408
Comprehensive loss.....	\$(144,678)	\$(134,877)	\$(154,552)

\* As reported and disclosed under ASC Topic 842 and ASC Topic 606

\*\* As reported and disclosed under ASC Topic 840 and ASC Topic 606

\*\*\* As reported and disclosed under ASC Topic 840 and ASC Topic 605

\*\*\*\* Tax effect was not material

See notes to consolidated financial statements

**BOX, INC.**

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(In thousands)

	Class A and Class B Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive (Loss) Income		Accumulated Deficit*	Total Stockholders' Equity
	Shares	Amount						
Balance as of January 31, 2017	130,611	\$13	\$ 960,144	\$(1,177)	\$ (120)	\$ (884,128)	\$ 74,732	
Issuance of common stock upon stock option exercises	2,099	—	14,558	—	—	—	14,558	
Stock-based compensation related to stock awards	—	—	97,485	—	—	—	97,485	
Vesting of restricted stock units and restricted stock awards, net of shares withheld for employee payroll taxes	3,008	—	—	—	—	—	—	
Employee payroll taxes withheld related to vesting of restricted stock units and restricted stock awards	—	—	(34,776)	—	—	—	(34,776)	
Common stock issued under employee stock purchase plan	1,599	—	17,521	—	—	—	17,521	
Other comprehensive income	—	—	—	—	408	—	408	
Net loss	—	—	—	—	—	(154,960)	(154,960)	
Balance as of January 31, 2018	137,317	13	1,054,932	(1,177)	288	(1,039,088)	14,968	
Issuance of common stock upon stock option exercises	1,980	—	16,326	—	—	—	16,326	
Issuance of common stock in connection with fiscal year 2019 acquisitions	40	—	1,053	—	—	—	1,053	
Issuance of common stock in connection with charitable donations	12	—	243	—	—	—	243	
Stock-based compensation related to stock awards	—	—	115,852	—	—	—	115,852	
Vesting of restricted stock units, net of shares withheld for employee payroll taxes	3,345	1	—	—	—	—	1	
Employee payroll taxes withheld related to vesting of restricted stock units	—	—	(43,824)	—	—	—	(43,824)	
Cumulative effect of ASC Topic 606 adoption	—	—	—	—	—	39,802	39,802	
Common stock issued under employee stock purchase plan	1,617	—	21,861	—	—	—	21,861	
Other comprehensive loss	—	—	—	—	(265)	—	(265)	
Net loss	—	—	—	—	—	(134,612)	(134,612)	
Balance as of January 31, 2019	144,311	14	1,166,443	(1,177)	23	(1,133,898)	31,405	
Issuance of common stock upon stock option exercises	659	—	5,965	—	—	—	5,965	
Stock-based compensation related to stock awards	—	—	149,567	—	—	—	149,567	
Vesting of restricted stock units, net of shares withheld for employee payroll taxes	4,167	1	—	—	—	—	1	
Employee payroll taxes withheld related to vesting of restricted stock units	—	—	(43,328)	—	—	—	(43,328)	
Common stock issued under employee stock purchase plan	1,474	—	23,425	—	—	—	23,425	
Other comprehensive loss	—	—	—	—	(330)	—	(330)	
Net loss	—	—	—	—	—	(144,348)	(144,348)	
Balance as of January 31, 2020	<u>150,611</u>	<u>\$15</u>	<u>\$1,302,072</u>	<u>\$(1,177)</u>	<u>\$(307)</u>	<u>\$(1,278,246)</u>	<u>\$ 22,357</u>	

\* We adopted ASC Topic 842, effective February 1, 2019, and ASC Topic 606, effective February 1, 2018, both utilizing the modified retrospective method. The reported results for fiscal year 2020 reflect the application of ASC 842, and the reported results for fiscal year 2019 onwards reflect the application of ASC 606. The reported results for fiscal years presented prior to adoption are not adjusted and continue to be reported under ASC Topic 840 and ASC Topic 605.

See notes to consolidated financial statements

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

	Year Ended January 31,		
	2020*	2019**	2018***
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss	\$(144,348)	\$(134,612)	\$(154,960)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	59,424	46,320	40,112
Stock-based compensation expense	145,988	119,296	97,485
Amortization of deferred commissions	25,922	17,323	21,476
Loss on disposal of property and equipment	47	585	—
Gain on the sale of a strategic equity investment	—	(2,035)	—
Other	(194)	4	(101)
Changes in operating assets and liabilities			
Accounts receivable, net	(34,304)	(12,415)	(42,020)
Deferred commissions	(43,962)	(37,561)	(26,133)
Operating lease right-of-use assets, net	35,449	—	—
Prepaid expenses and other assets	(7,108)	(4,999)	(2,441)
Accounts payable	(100)	1,655	6,900
Accrued expenses and other liabilities	(5,851)	(2,172)	16,134
Operating lease liabilities	(35,058)	—	—
Deferred revenue	48,808	63,932	78,939
Net cash provided by operating activities	44,713	55,321	35,391
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchases of property and equipment	(5,452)	(14,808)	(11,822)
Capitalized internal-use software costs	(7,957)	(2,761)	—
Proceeds from sales of property and equipment	8	2	107
Proceeds from the sale of a strategic equity investment	105	1,874	—
Acquisitions	—	(458)	—
Net cash used in investing activities	(13,296)	(16,151)	(11,715)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from borrowings, net of borrowing costs	—	—	39,930
Principal payments on borrowings	—	—	(40,000)
Proceeds from exercise of stock options	5,965	16,326	14,538
Proceeds from issuances of common stock under employee stock purchase plan	23,425	21,861	17,521
Employee payroll taxes paid related to net share settlement of restricted stock units	(43,328)	(43,824)	(34,776)
Principal payments of finance lease liabilities	(38,542)	(23,930)	(16,052)
Acquisition related contingent consideration	(936)	—	(991)
Net cash used in financing activities	(53,416)	(29,567)	(19,830)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(171)	(273)	408
Net (decrease) increase in cash, cash equivalents, and restricted cash	(22,170)	9,330	4,254
Cash, cash equivalents, and restricted cash, beginning of period	217,756	208,426	204,172
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 195,586</u>	<u>\$ 217,756</u>	<u>\$ 208,426</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>			
Cash paid for interest, net of amounts capitalized	\$ 5,549	\$ 2,585	\$ 1,936
Cash paid for income taxes, net of tax refunds	2,835	1,600	1,259
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:</b>			
Accrued equipment purchases	\$ 3,123	\$ 3,735	\$ 8,711
Increase in long-lived assets resulting from capitalizing asset retirement costs	2,717	566	—
Stock-based compensation expense capitalized in internally developed software costs	4,714	769	—
Accrued on-premises software	10,594	—	—
Increase in finance lease liabilities	103,420	50,999	26,431
Issuance of common stock in connection with acquisitions	—	1,053	—
Contingent consideration accruals in connection with acquisitions	—	936	—
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH INFORMATION:</b>			
Cash and cash equivalents, beginning of period	\$ 217,518	\$ 208,076	\$ 177,391
Restricted cash, beginning of period	238	350	26,781
Cash, cash equivalents, and restricted cash, beginning of period	<u>\$ 217,756</u>	<u>\$ 208,426</u>	<u>\$ 204,172</u>
Cash and cash equivalents, end of period	\$ 195,586	\$ 217,518	\$ 208,076
Restricted cash, end of period	—	238	350
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 195,586</u>	<u>\$ 217,756</u>	<u>\$ 208,426</u>

\* As reported and disclosed under ASC Topic 842 and ASC Topic 606

\*\* As reported and disclosed under ASC Topic 840 and ASC Topic 606

\*\*\* As reported and disclosed under ASC Topic 840 and ASC Topic 605; adjusted due to the adoption of ASU 2016-18

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 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.

##### *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.

Certain prior period amounts reported in our consolidated financial statements and notes thereto have been reclassified to conform to the current year presentation. Such reclassifications did not affect total revenues, operating income, or net income.

#### 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, timing and costs associated with our asset retirement obligations, the nature and timing of satisfaction of performance obligations, estimate of standalone selling price allocation included in contracts with multiple performance obligations, the estimated expected benefit period for deferred commissions, the estimated useful life of capitalized internally developed software costs, observable price changes of non-marketable equity securities, the incremental borrowing rate we use to determine our lease liabilities, fair values of stock-based awards, legal contingencies, the valuation of deferred income tax assets, and unrecognized tax benefits, 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 our fixed assets indicated that the actual lives of certain furniture and fixtures were longer than previously estimated useful lives used for depreciation purposes in our financial statements. As a result, effective September 1, 2018, we changed the estimated useful lives of certain furniture and fixtures to better reflect the estimated periods during which these assets will remain in service. The estimated useful lives of these assets previously depreciated for three years have now been increased to five years. This change was made prospectively for all existing furniture and fixtures as of September 1, 2018 and will continue to apply to all furniture and fixtures purchased thereafter. The effect of this change in estimate to net loss and net loss per share was not material in fiscal year 2019.

##### *Revenue Recognition*

We adopted ASC Topic 606, effective February 1, 2018, utilizing the modified retrospective method. The reported results for fiscal year 2019 onwards reflect the application of ASC Topic 606, while the reported results for fiscal years presented prior to adoption are not adjusted and continue to be reported under ASC Topic 605.



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

Revenue is recognized when control of these services is transferred to a customer. The amount of revenue recognized reflects the consideration we expect to be entitled to in exchange for those services.

We determine revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as we, satisfy a performance obligation

#### *Subscription and Premier Services Revenues*

We recognize revenue when, or as we, satisfy a performance obligation. Accordingly, due to our subscription model, we recognize revenue for our subscription and premier services ratably over the contract term.

We typically invoice our customers at the beginning of the term, in multiyear, annual, quarterly or monthly installments. Our subscription and premier services contracts generally range from one to three years in length, 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.

#### *Professional Services*

Professional services are generally billed on a fixed price basis, for which revenue is recognized over time based on the proportion performed.

#### *Contracts with Multiple Performance Obligations*

Our contracts can include multiple performance obligations which may consist of some or all of subscription services, premier services, and professional services. For these contracts, we account for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. We determine the standalone selling prices based on our overall pricing objectives, taking into consideration 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.

#### *Deferred Revenue*

Deferred revenue consists of billings in advance of revenue recognition generated by our subscription services, premier services, and professional services described above.

#### *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 data center operations, customer support and professional services personnel, payments to outside technology service providers, depreciation of servers and equipment, security services and other tools, as well as amortization expense associated with capitalized internally developed software and acquired technology. We allocate overhead such as rent, information technology costs and employee benefit costs to all departments based on headcount.

#### *Deferred Commissions*

Sales commissions earned by our sales force are considered incremental and recoverable costs of obtaining a contract with a customer. Sales commissions for new contracts are deferred and then amortized on a straight-line basis over a period of benefit that we have estimated to be five years. We determined the period of benefit by

taking into consideration our customer contracts, our technology and other factors. Sales commissions for renewal contracts are deferred and then amortized on a straight-line basis over the related contractual renewal period. Amortization expense is included in sales and marketing expenses on the consolidated statements of operations.

We deferred sales commissions costs of \$44.0 million, \$37.6 million and \$26.1 million during the years ended January 31, 2020, 2019 and 2018, respectively, and amortized \$25.9 million, \$17.3 million and \$21.5 million of deferred commissions during the same periods respectively.

### ***Certain Risks and Concentrations***

Our financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. Although we deposit our cash with multiple financial institutions, our deposits, at times, may exceed deposit insurance coverage 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 doubtful accounts based upon the expected collectability, which takes into consideration specific customer creditworthiness and current economic trends. We believe collections of our accounts receivable are probable based on the size, industry diversification, financial condition and past transaction history of our customers. As of January 31, 2020 and 2019, one reseller, which is also a customer, accounted for more than 10% of total accounts receivable. One reseller, which is also a customer, represented 10% and 11% of revenue for the years ended January 31, 2020 and 2019, respectively. No single customer represented over 10% of revenue in the year ended January 31, 2018.

We serve our customers and users from data center facilities operated by third parties. In order to reduce the risk of down time of our subscription services, we have established data centers 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 data center 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, 2020, 2019 and 2018, revenue attributable to customers in the United States was 75%, 77% and 78%, respectively. For the year ended January 31, 2020, revenue attributable to customers in Japan was 10%. No country outside of the United States comprised 10% or greater of our revenue for the years ended January 31, 2019 and 2018.

Substantially all of our net assets are located in the United States. As of January 31, 2020 and 2019, property and equipment located in the United States was approximately 94% and 91%, respectively.

### ***Foreign Currency Translation and Transactions***

The functional currency of our principal foreign subsidiary is the U.S. dollar; for the other foreign subsidiaries, the functional currency is generally the local currency. 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. Monetary 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. We incurred \$1.1 million in foreign currency transaction losses during the year ended January 31, 2020. Transaction gains and losses recognized were not material for the years ended January 31, 2019 and 2018.

### ***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, certificates of deposit, and money market funds.

### ***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 are classified as prepaid and other current assets and restricted cash on our consolidated balance sheets. As of January 31, 2020 and 2019, the amount of restricted cash was not material.

### ***Fair Value of Financial Instruments***

We measure cash and cash equivalents and restricted cash at fair value on a recurring basis.

Non-marketable equity securities include our privately held strategic equity securities without readily determinable fair values. We recorded these privately held strategic equity securities without readily determinable fair values using a measurement alternative which measures the securities at cost minus impairment, if any, plus or minus changes resulting from qualifying observable price changes with a same or similar security from the same issuer. Our non-marketable equity securities are recorded at fair value only if an impairment or observable price adjustment is recognized in the current period. If an observable price adjustment or impairment is recognized on our non-marketable equity securities, we classify these assets as Level 3 within the fair value hierarchy based on the nature of the fair value inputs. For our privately held strategic equity securities as of January 31, 2020, there was no adjustment for impairment or observable price change during fiscal year 2020. During the year ended January 31, 2019, we recognized a \$2.0 million gain on the sale of a strategic equity investment. The aggregate carrying value of our privately held strategic equity securities is not material for all periods presented and is included in other long-term assets on the consolidated balance sheets.

Our other current financial instruments, including accounts receivable, accounts payable and other current liabilities, have fair values which approximate their carrying value due to their short-term maturities.

### ***Derivative Instruments and Hedging***

We measure derivative financial instruments at fair value and recognize them as either assets or liabilities on our consolidated balance sheets. We record changes in the fair value of derivative financial instruments designated as cash flow hedges in other comprehensive income (loss). When the hedged transaction affects earnings, we subsequently reclassify the net derivative gain or loss within other comprehensive income (loss) into the same line as the hedged item on the consolidated statements of operations to offset the changes in the hedged transaction.

The cash flow effects related to derivative financial instruments designated as cash flow hedges are included within operating activities on our consolidated statements of cash flows.

### ***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 intends to actively pursue collection of the receivable. We record a contract asset when revenue is recognized in advance of invoicing. Contract assets are presented within accounts receivable on the consolidated balance sheets.

### ***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 three to five 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.

## ***Leases***

We adopted ASC Topic 842, effective February 1, 2019, using the modified retrospective method. The reported results for fiscal year 2020 reflect the application of ASC Topic 842, while the reported results for fiscal years presented prior to adoption are not adjusted and continue to be reported under ASC Topic 840. Refer to *Recently Adopted Accounting Pronouncements* regarding the adoption impact of ASC Topic 842 in fiscal year 2020.

We determine whether an arrangement contains a lease at inception. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To determine whether a contract is or contains a lease, we consider all relevant facts and circumstances to assess whether the customer has both of the following:

- The right to obtain substantially all of the economic benefits from use of the identified asset
- The right to direct the use of the identified asset

We recognize lease liabilities and right-of-use assets at lease commencement. We measure lease liabilities based on the present value of lease payments over the lease term discounted using the rate implicit in the lease when that rate is readily determinable or our incremental borrowing rate. We estimate our incremental borrowing rate based on an analysis of publicly traded debt securities of companies with credit and financial profiles similar to our own and adjust our incremental borrowing rate to reflect the corresponding lease term. We do not include in the lease term options to extend or terminate the lease unless it is reasonably certain that we will exercise any such options. We account for the lease and non-lease components as a single lease component for all our leases.

We measure right-of-use assets based on the corresponding lease liabilities adjusted for (i) prepayments made to the lessor at or before the commencement date, (ii) initial direct costs we incur, and (iii) tenant incentives under the lease. We evaluate the recoverability of our right-of-use assets for possible impairment in accordance with our long-lived assets policy. We do not recognize right-of-use assets or lease liabilities for short-term leases, which have a lease term of twelve months or less, and recognize the associated lease payments in the consolidated statements of operations on a straight-line basis over the lease term.

Operating leases are reflected in operating lease right-of-use assets, operating lease liabilities, and operating lease liabilities, non-current on our consolidated balance sheets. Finance leases are included in property and equipment, net, finance lease liabilities, and finance lease liabilities, non-current on our consolidated balance sheets.

We begin recognizing rent expense when the lessor makes the underlying asset available to us. We recognize rent expense under our operating leases on a straight-line basis. For finance leases, we record interest expense on the lease liability in addition to amortizing the right-of-use asset (generally straight-line) over the shorter of the lease term or the useful life of the right-of-use asset. Variable lease payments are expensed as incurred and are not included within the lease liabilities and right-of-use assets calculation. We generally recognize sublease income on a straight-line basis over the sublease term.

## ***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 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 property and equipment is not recoverable, the carrying amount of such assets is reduced to fair value. We have not recorded any significant impairment charges 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 quantitative 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 quantitative goodwill impairment test will be performed. The quantitative goodwill impairment test identifies goodwill impairment and measures the amount of goodwill impairment loss to be recognized by comparing the fair value of our single reporting unit with its carrying amount. If the fair value exceeds its carrying amount, no further analysis is required; otherwise, 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. No impairment of goodwill has been identified during the years presented.

Acquired finite-lived intangible assets are typically amortized over the estimated useful lives of the assets, 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 charges 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.

### ***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 overhead for facilities, information technology, and employee benefit costs.

### ***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, qualifying internal and external costs are capitalized until the application is substantially complete and ready for its intended use. Capitalized qualifying costs are amortized on a straight-line basis when the software is ready for its intended use over an estimated useful life, which is generally three years. Internal-use software costs also include on-premises software, which is amortized over the lesser of five years or the license term. We evaluate the useful lives of these assets on an annual basis and test for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.

We capitalize qualifying implementation costs incurred in a hosting arrangement that is a service contract based on the existing guidance for internally developed software, which is presented as part of our prepaid

expenses and other current assets and other long-term assets based on the term of the associated hosting arrangement. Qualifying external and internal costs incurred during the application development stage of implementation are capitalized and costs incurred during the preliminary project and post implementation stages are expensed as incurred. We amortize capitalized qualifying implementation costs on a straight-line basis over the term of the associated hosting arrangement when the module or component of the hosting arrangement is ready for its intended use. The amortization of capitalized qualifying implementation cost is presented in the same line item as fees for the associated hosting arrangement in the consolidated statements of operations. We test for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.

### ***Advertising Costs***

Advertising costs are expensed as incurred and are included in sales and marketing expense. Advertising costs for the years ended January 31, 2020, 2019 and 2018 were \$25.6 million, \$30.2 million and \$32.1 million, respectively.

### ***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 variables, which 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. 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, net of estimated forfeitures, 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 of purchase rights granted under our 2015 ESPP on a straight-line basis over the offering period.

For performance-based restricted stock units that vest based upon continued service and achievement of certain performance conditions established by the board of directors for a predetermined period, the fair value is determined based upon the market closing price of our Class A common stock on the date of the grant; compensation expense is recognized over the requisite service period if it is probable that the performance condition will be satisfied based on the accelerated attribution method.

In addition, we have issued performance-based stock options that vest based upon continued service through the vesting term and achievement of certain market conditions established by the Compensation Committee of our board of directors for a predetermined period. We measure stock-based compensation expense for performance-based stock options containing market conditions based on the estimated grant date fair value determined using the Monte Carlo valuation model; we recognize compensation expense for such awards over the requisite service period using the accelerated attribution method.

### ***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 are 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.

### ***Recently Adopted Accounting Pronouncements***

In February 2016, the FASB issued ASU 2016-02, *Leases*, and since that date has issued several additional accounting standard updates to further clarify certain aspects of ASU 2016-02 and to provide certain practical expedients entities can elect upon adoption (collectively, “ASC Topic 842”). ASC Topic 842 states that for most leases, a lessee would recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term while recognizing expense in a manner similar to legacy guidance ASC Topic 840. We adopted ASC Topic 842, effective February 1, 2019, using the modified retrospective method for leases that existed as of February 1, 2019. The comparative periods presented and disclosed in the year of adoption are based on legacy ASC Topic 840 guidance. We elected the practical expedients which allow us to carry forward our assessment on whether a contract is or contains a lease, our historical lease classification, and our initial direct costs for any leases that expired or existed prior to adoption of ASC Topic 842. In addition, we elected the short-term lease exception and the practical expedient to not separate lease and non-lease components.

#### Adoption Impact of ASC Topic 842 on the Opening Balance Sheet as of February 1, 2019

In connection with the adoption of ASC Topic 842, we recognized operating lease right-of-use assets and operating lease liabilities on our consolidated balance sheet primarily related to our office and data center facilities of \$206.6 million and \$255.0 million, respectively, out of which \$218.6 million was the non-current portion of operating lease liabilities. The difference between the operating lease right-of-use assets and operating lease liabilities primarily represents the existing deferred rent liability balance as of the adoption date.

Our accounting for finance leases remains substantially unchanged from the legacy ASC Topic 840 except for the impacts of applying the practical expedient to not separate lease and non-lease components. As a result of recognizing the non-lease components as part of our finance leases, we recognized finance lease right-of-use assets and corresponding finance leases liabilities of \$5.2 million, out of which \$2.9 million represented the non-current portion of the additional finance lease liabilities.

As a sub-lessor, accounting for our subleases is largely unchanged from the legacy ASC Topic 840.

The adoption of ASC Topic 842 did not have a material effect on our consolidated statements of operations and cash flows, however, it did materially increase our assets and liabilities on the consolidated balance sheet. The adoption of ASC Topic 842 resulted in changes to our accounting estimates and accounting policy for leases. Please see *Summary of Significant Accounting Policies* for a discussion of the updated policy.

#### Ongoing ASC Topic 842 Financial Statement Impact as of and for the fiscal year ended January 31, 2020

Refer to “*Note 5. Balance Sheet Components*” and “*Note 6. Leases*” for the ongoing ASC Topic 842 impact on the consolidated financial statements as of and for the fiscal year ended January 31, 2020.

### ***Recently Issued Accounting Pronouncements***

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. Application of the amendments is through a cumulative-effect adjustment to retained earnings as of the effective date. We do not expect the adoption of this standard to result in a material impact on our consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes*. ASU 2019-12 simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and by improving consistent application of other areas of Topic 740. The new standard is effective for us beginning February 1, 2021, with early adoption permitted. We are currently evaluating the impact of the provisions of this new standard on our consolidated financial statements.

### **Note 3. Revenue**

#### ***Contract Assets***

Contract assets, which are presented within accounts receivable, were not material as of January 31, 2020 and 2019.

#### ***Deferred Revenue***

Deferred revenue was \$423.8 million and \$375.0 million as of January 31, 2020 and 2019. During the fiscal years ended January 31, 2020 and 2019, we recognized \$353.6 million and \$283.4 million that was included in the deferred revenue balance as of January 31, 2019 and February 1, 2018, respectively.

#### ***Transaction Price Allocated to the Remaining Performance Obligations***

As of January 31, 2020, \$767.8 million of revenue is expected to be recognized from remaining performance obligations for subscription contracts. We expect to recognize revenue on 65% of these remaining performance obligations over the next 12 months, with the balance recognized thereafter.

#### ***Disaggregation of Revenues***

For the fiscal years ended January 31, 2020 and 2019, revenue attributable to customers in the United States was 75% and 77%, respectively. For the fiscal year ended January 31, 2020, revenue attributable to customers in Japan was 10%. No country outside of the United States comprised 10% or greater of our revenue for the fiscal year ended January 31, 2019.

### **Note 4. Fair Value Measurements**

#### ***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 that are supported by little or no market activity and 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.



## Investments

Financial assets subject to the fair value disclosure requirements were as follows (in thousands):

	January 31, 2020			
	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds . . . . .	\$43,558	\$ —	\$—	\$43,558
Certificates of deposit . . . . .	—	20,000	—	20,000
Total cash equivalents . . . . .	<u>\$43,558</u>	<u>\$20,000</u>	<u>\$—</u>	<u>\$63,558</u>
	January 31, 2019			
	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Certificates of deposit . . . . .	<u>\$—</u>	<u>\$50,056</u>	<u>\$—</u>	<u>\$50,056</u>
Restricted cash:				
Certificates of deposit . . . . .	<u>\$—</u>	<u>\$ 238</u>	<u>\$—</u>	<u>\$ 238</u>

## Derivative Instruments and Hedging

In association with our debt described in Note 8, we are required to make variable rate interest payments based on a contractually specified interest rate index (e.g., LIBOR). The variable rate interest payments create interest rate risk as interest payments will fluctuate based on changes in the contractually specified interest rate index over the life of the loan. To minimize our risk exposure due to the volatility of the interest rate index, we entered into an interest rate swap agreement with Wells Fargo Bank, National Association, effective as of September 5, 2019 (Swap Agreement). This agreement, which is designated as a cash flow hedge, has a maturity of five years. Under the Swap Agreement, we have hedged a portion of the variable interest payments by effectively fixing our interest payments over the term of the agreement. As of January 31, 2020, our interest rate swap had a notional value of \$30.0 million.

We classify our interest rate swap hedge agreement within Level 2. As of January 31, 2020, the fair value of the interest rate swap, which is included in accrued expenses and other current liabilities and accumulated other comprehensive loss in our consolidated balance sheet, was not material. During the year ended January 31, 2020, the net derivative gain within accumulated other comprehensive loss reclassified into earnings was not material and we estimate that the amount to be reclassified from accumulated other comprehensive loss into earnings within the next 12 months will not be material.

## Note 5. Balance Sheet Components

### Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following (in thousands):

	January 31,	
	2020	2019
Prepaid expenses . . . . .	\$16,416	\$ 9,323
Capitalized qualifying implementation costs incurred in a hosting arrangement that is a service contract, net of amortization <sup>(1)</sup> . . . . .	1,202	1,663
Other current assets . . . . .	<u>4,247</u>	<u>3,237</u>
Total prepaid expenses and other current assets . . . . .	<u>\$21,865</u>	<u>\$14,223</u>

(1) Capitalized stock-based compensation expense and the amortization of the capitalized costs were not material for the periods presented. We have not recorded any related impairment charges during the periods presented.

### ***Property and Equipment, Net***

Property and equipment, net consisted of the following (in thousands):

	<b>January 31,</b>	
	<b>2020</b>	<b>2019</b>
Servers and related equipment . . . . .	\$ 312,369	\$ 215,626
Leasehold improvements . . . . .	79,979	76,888
Computer hardware . . . . .	23,086	20,614
Furniture and fixtures . . . . .	14,192	13,661
Construction in progress . . . . .	<u>18,370</u>	<u>9,737</u>
Total property and equipment . . . . .	447,996	336,526
Less: accumulated depreciation . . . . .	<u>(257,020)</u>	<u>(198,823)</u>
Total property and equipment, net . . . . .	<u>\$ 190,976</u>	<u>\$ 137,703</u>

As of January 31, 2020, the gross carrying amount of property and equipment included \$216.4 million of servers and related equipment and \$16.3 million of construction in progress acquired under finance leases, and the accumulated depreciation of property and equipment acquired under these finance leases was \$98.0 million. As of January 31, 2019, the gross carrying amount of property and equipment included \$120.0 million of servers and related equipment and \$8.8 million of construction in progress acquired under finance leases, and the accumulated depreciation of property and equipment acquired under these finance leases was \$54.5 million.

Depreciation expense related to property and equipment was \$58.2 million, \$46.3 million and \$39.5 million for the fiscal years ended January 31, 2020, 2019 and 2018, respectively. Included in these amounts were depreciation expense for servers and related equipment acquired under finance leases in the amount of \$43.4 million, \$26.3 million and \$18.8 million, for the same periods respectively. Construction in progress primarily consists of servers and networking equipment and storage infrastructure being provisioned in our data center facilities. Interest capitalized to property and equipment were not material for all periods presented.

### ***Operating Lease Right-of-Use Assets, Net***

Operating lease right-of-use assets, net consisted of the following (in thousands):

	<b>January 31,</b>
	<b>2020</b>
Operating lease right-of-use assets . . . . .	\$233,255
Less: accumulated amortization . . . . .	<u>(35,449)</u>
Operating lease right-of-use assets, net . . . . .	<u>\$197,806</u>

### ***Other Long-term Assets***

Other long-term assets consisted of the following (in thousands):

	<b>January 31,</b>	
	<b>2020</b>	<b>2019</b>
Deposits, noncurrent . . . . .	\$ 2,726	\$ 2,674
Internally developed software costs, net of amortization <sup>(1)</sup> . . . . .	14,521	3,514
On-premises software <sup>(2)</sup> . . . . .	10,594	—
Other assets, noncurrent . . . . .	<u>4,140</u>	<u>4,858</u>
Other long-term assets . . . . .	<u>\$31,981</u>	<u>\$11,046</u>

(1) Included in these amounts were \$5.0 million and \$0.8 million in capitalized stock-based compensation expense as of the respective period. The amortization of the capitalized costs was not material for both periods presented.

(2) The estimated useful lives of on-premises software range from three to four years.

## Note 6. Leases

We have entered into various non-cancellable operating lease agreements for certain of our offices and data centers with lease periods expiring primarily between fiscal years 2021 and 2029. Certain of these arrangements have free or escalating rent payment provisions and optional renewal or termination clauses. Our operating leases typically include variable lease payments, which are primarily comprised of common area maintenance and utility charges for our offices and power and network connections for our data centers, that are determined based on actual consumption. Our operating lease agreements do not contain any residual value guarantees, covenants, or other restrictions.

We also entered into various finance lease arrangements to obtain servers and related equipment for our data center operations. These agreements are primarily for four years and certain of these arrangements have optional renewal or termination clauses. The leases are secured by the underlying leased servers and related equipment.

We sublease certain floors of our Redwood City, San Francisco, and London offices. Our current subleases have total lease terms ranging from 31 to 55 months that will expire at various dates by fiscal year 2023.

The components of lease cost, which were included in operating expenses in our consolidated statements of operations, were as follows (in thousands):

	<b>Year Ended January 31, 2020</b>
Finance lease cost:	
Amortization of finance lease right-of-use assets . . . . .	\$ 43,448
Interest on finance lease liabilities . . . . .	4,483
Operating lease cost, gross . . . . .	48,870
Variable lease cost, gross . . . . .	11,862
Sublease income . . . . .	<u>(11,504)</u>
Total lease cost <sup>(1)</sup> . . . . .	<u>\$ 97,159</u>

(1) Short-term lease cost for the year ended January 31, 2020 was not material and is not included in the table above.

Supplemental cash flow information related to leases was as follows (in thousands):

	<b>Year Ended January 31, 2020</b>
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows for operating leases . . . . .	\$ 48,675
Operating cash flows for finance leases . . . . .	4,052
Financing cash flows for finance leases . . . . .	38,542
Right-of-use assets obtained in exchange of lease obligations <sup>(1)</sup>	
Operating leases . . . . .	233,255
Finance leases . . . . .	103,420

(1) Includes the adoption impact of ASC Topic 842 on the opening balance sheet as of February 1, 2019 as disclosed in Note 2.

Supplemental information related to the remaining lease term and discount rate was as follows:

	<b>January 31, 2020</b>
Weighted-average remaining lease term (in years)	
Operating leases . . . . .	6.67
Finance leases . . . . .	2.93
Weighted-average discount rate	
Operating leases . . . . .	5.40%
Finance leases . . . . .	4.56%

As of January 31, 2020, maturities of our operating and finance lease liabilities, which do not include short-term leases and variable lease payments, are as follows (in thousands):

	<u>Operating Leases<sup>(1)</sup></u>	<u>Finance Leases</u>
Years ending January 31:		
2021 .....	\$ 52,394	\$ 60,092
2022 .....	49,708	42,492
2023 .....	40,042	33,396
2024 .....	38,331	12,119
2025 .....	27,992	—
Thereafter .....	<u>87,745</u>	<u>—</u>
Total lease payments .....	<u>\$296,212</u>	<u>\$148,099</u>
Less: imputed interest .....	<u>(49,732)</u>	<u>(10,038)</u>
Present value of total lease liabilities .....	<u>\$246,480</u>	<u>\$138,061</u>

(1) Non-cancellable sublease proceeds for the fiscal years ending January 31, 2021, 2022, and 2023 of \$8.9 million, \$7.1 million, and \$6.1 million, respectively, are not included in the table above.

As of January 31, 2020, we had operating leases for three of our data centers and two of our office spaces that have not yet commenced with aggregated undiscounted future payments of \$35.2 million. These operating leases will commence throughout fiscal year 2021 and have lease terms ranging from 4 to 8 years and therefore, we did not reflect these on the consolidated balance sheet as of January 31, 2020 and the tables above. We did not have any finance leases that have not yet commenced as of January 31, 2020.

We establish assets and liabilities for the present value of estimated future costs to return certain of our leased facilities to their original condition. Such assets are depreciated over the lease period into operating expense, and the recorded liabilities are accreted to the future value of the estimated restoration costs. For the fiscal year ended January 31, 2020, we recorded \$2.8 million in other long-term liabilities related to the present value of our estimated asset retirement obligation for our headquarters facility. We did not have material asset retirement obligations as of January 31, 2019. The accretion expense, which was included in operating expenses in our consolidated statements of operations, was not material for all periods presented.

## Note 7. Commitments and Contingencies

### *Letters of Credit*

As of January 31, 2020 and 2019, we had letters of credit in the aggregate amount of \$26.5 million in connection with our operating leases, which were primarily issued under the available sublimit for the issuance of letters of credit in conjunction with the secured credit agreement disclosed in Note 8.

### *Purchase Obligations*

As of January 31, 2020, future payments under non-cancellable contractual purchases which were not recognized on our consolidated balance sheet relate primarily to infrastructure services and IT software and support services costs, are as follows (in thousands):

Years ending January 31:	
2021 .....	\$ 18,733
2022 .....	15,376
2023 .....	36,026
2024 .....	434
2025 .....	434
Thereafter .....	<u>166,234</u>
	<u>\$237,237</u>

In addition to the purchase obligations included above, as of January 31, 2020, we had recognized a total of \$10.6 million related to non-cancellable contractual purchases, which were included in accrued expenses and

other current liabilities and other long-term liabilities on the balance sheet. \$2.0 million, \$3.1 million and \$5.3 million is due to be paid in the years ending January 31, 2021, 2022 and 2023, respectively.

### ***Legal Matters***

We are currently involved in, and may in the future be involved in, litigation and subject to claims that arise in the ordinary course of business, including matters we initiate to defend ourselves or our users by determining the scope, enforceability, and validity of third-party proprietary rights or to establish our proprietary rights. 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, 2020. Additionally, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors, regardless of the outcome of such litigation.

On June 6, 2019, a purported securities class action was filed in the U.S. District Court for the Northern District of California naming Box and certain of its officers and directors as defendants. The action was voluntarily dismissed without prejudice on December 16, 2019.

On October 23, 2019, a shareholder derivative complaint was filed in the Superior Court of California, San Mateo County, purportedly on behalf of Box and naming as defendants certain current and former officers and directors. The complaint was voluntarily dismissed without prejudice on December 26, 2019.

### ***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, we have not incurred any material costs as a result of such obligations and have not accrued any material 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***

On November 27, 2017, we entered into a secured credit agreement (as amended or otherwise modified from time to time, the "November 2017 Facility") with a maturity date of November 27, 2020. On November 29, 2017, the restrictions on our certificates of deposit that collateralized the letters of credit were released as the letters of credit were included under the November 2017 Facility sublimit. As such, we released \$26.1 million from restricted cash to cash and cash equivalents. Refer to Note 7 for additional details on the letters of credit and Note 4 for additional details on restricted cash in the form of certificates of deposit.

On July 12, 2019, we entered into Amendment No. 1 to the November 2017 Facility. Pursuant to the terms of the amendment, among other changes, (i) the maturity date of borrowings under the November 2017 Facility was extended from November 27, 2020 to July 12, 2022; (ii) the revolving commitments were increased from \$85.0 million to \$100.0 million; (iii) the sublimit for the issuance of letters of credit was increased from \$30.0 million to \$45.0 million; and (iv) the covenant in the November 2017 Facility that limits the amount of finance leases and debt that we can incur to finance the acquisition, construction or improvement of any equipment or capital assets was increased from \$100.0 million to \$200.0 million. The proceeds of the revolving

loans may be used for general corporate purposes. The revolving loans accrue interest at a prime rate plus a margin of 0.25% or, at our option, a LIBOR rate (based on one, three or six-month interest periods) plus a margin of 1.00%. Interest on the revolving loans is payable quarterly in arrears with respect to loans based on the prime rate and at the end of an interest period in the case of loans based on the LIBOR rate (or at each three-month interval if the interest period is longer than three months). Borrowings under the November 2017 Facility are collateralized by substantially all of our assets. The November 2017 Facility requires us to comply with a maximum leverage ratio and a minimum liquidity requirement. Additionally, the November 2017 Facility contains customary affirmative and negative covenants, including covenants limiting our, and our subsidiaries', ability to, among other things, grant liens, incur debt, pay dividends or distributions on the capital stock, effect certain mergers, make investments, dispose of assets and enter into transactions with affiliates, in each case subject to customary exceptions for a credit facility of the size and type of the November 2017 Facility.

As of January 31, 2020, we were in compliance with all financial covenants.

In connection with the above credit facilities, we incurred interest expense, net of capitalized interest costs, of \$1.3 million, \$1.3 million and \$1.0 million during the years ended January 31, 2020, 2019 and 2018, respectively. During the same periods, the amounts of interest capitalized were not material. Interest expense in connection with the above credit facilities includes interest charges for our line of credit, amortization of issuance costs, and unused commitment fees on our line of credit.

## **Note 9. Stockholders' Equity**

### ***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, generally automatically convertible into shares of our Class A common stock upon transfer, and all outstanding shares of our Class B common stock will automatically convert into shares of our Class A common stock once the aggregate number of shares of our Class B common stock represents less than 5% of the then outstanding shares of Class A and Class B common stock.

### ***Material modification of rights of security holders***

On June 14, 2018, all of our outstanding shares of Class B common stock automatically converted into the same number of shares of Class A common stock pursuant to the terms of our Amended and Restated Certificate of Incorporation. No additional shares of Class B common stock will be issued following such conversion. The conversion occurred pursuant to Article IV of our Amended and Restated Certificate of Incorporation, which provided that each share of Class B common stock would convert automatically, without any further action, into one share of Class A common stock on the first trading day falling on or after the date on which the outstanding shares of Class B common stock represent less than 5% of the aggregate number of shares of the then outstanding Class A common stock and Class B common stock. On June 15, 2018, we filed a certificate with the Secretary of State of the State of Delaware effecting the retirement and cancellation of our Class B common stock. This certificate of retirement had the additional effect of eliminating the authorized Class B common stock, thereby reducing the total number of our authorized shares of common stock by 200,000,000.

Our Class A and Class B common stock are referred to as common stock throughout the notes to the financial statements, unless otherwise noted. After June 14, 2018, common stock refers to our Class A common stock.

### ***Common Stock***

As of January 31, 2020 and 2019, we had authorized 1,000,000,000 shares of Class A common stock, par value of \$0.0001 per share. 150,611,405 and 144,310,764 shares of Class A common stock were issued and outstanding as of January 31, 2020 and 2019, respectively.

### ***Preferred Stock***

As of January 31, 2020 and 2019, we had authorized 100,000,000 shares of undesignated preferred stock, par value of \$0.0001 per share. No shares were issued or outstanding in the periods presented.

### ***Treasury Stock***

As of January 31, 2020 and 2019, 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 initial public offering (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 or 2011 Equity Incentive 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 rights, as determined by our board of directors at the time of grant. Generally, our restricted stock units vest over four years and, (a) for employee new hire restricted stock unit grants, twenty-five percent vest one year from the vesting commencement date and continue to vest 1/16th per quarter thereafter; or (b) for employee refresh restricted stock unit grants, 1/16th per quarter vest from the vest commencement date schedule. As of January 31, 2020, 19,832,054 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 the 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. The 2015 ESPP provides for 24-month offering periods beginning March 16 and September 16 of each year, and each offering period consists of four six-month purchase periods.

On each purchase date, eligible employees may 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, 2020, 1,926,616 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</u>	<u>Aggregate Intrinsic Value</u>
	<u>Shares</u>	<u>Weighted-Average Exercise Price</u>	<u>Remaining Contractual Life (Years)</u>	
				(in thousands)
Balance as of January 31, 2018 . . . . .	10,843,120	\$ 8.32	5.74	\$150,922
Options granted . . . . .	717,658	20.78		
Option exercised . . . . .	(1,980,070)	8.24		
Options forfeited/cancelled . . . . .	(483,747)	14.23		
Balance as of January 31, 2019 . . . . .	<u>9,096,961</u>	\$ 9.01	4.97	\$108,731
Options granted . . . . .	577,082	19.89		
Option exercised . . . . .	(659,348)	9.05		
Options forfeited/cancelled . . . . .	(242,110)	17.63		
Balance as of January 31, 2020 . . . . .	<u>8,772,585</u>	\$ 9.48	4.27	\$ 60,221
Vested and expected to vest as of January 31, 2020 . . . . .	<u>8,712,323</u>	\$ 9.41	4.24	\$ 60,221
Exercisable as of January 31, 2020 . . . . .	<u>7,517,124</u>	\$ 7.80	3.57	\$ 60,221

The aggregate intrinsic value of options vested and expected to vest and exercisable as of January 31, 2020 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, 2020, 2019 and 2018 was \$5.9 million, \$30.5 million and \$25.6 million, respectively. The aggregate estimated fair value of stock options granted to employees that vested during the years ended January 31, 2020, 2019 and 2018 was \$5.3 million, \$6.7 million and \$9.0 million, respectively. The weighted-average grant date fair value of options granted to employees during the years ended January 31, 2020, 2019 and 2018 was \$8.00, \$8.26 and \$7.04 per share, respectively.

As of January 31, 2020, there was \$5.4 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 2.18 years.

### *Stock Options with Market-Based Performance Goals*

To further align our stockholders' interests with executive officers' interests, the Compensation Committee of our board of directors approved and granted performance-based stock options with market-based performance goals under the 2015 Plan to certain executive officers, which are subject to both the achievement of the market-based performance goal established by the Compensation Committee and the continued employment of the participant. These performance-based stock options vest only to the extent that both the market-based performance goal and time-based condition are satisfied. The market-based performance goal will be satisfied if, before the four-year anniversary of the grant date, the closing price of our Class A common stock is maintained at or above a pre-determined share price for a period of 30 consecutive trading days. The time-based vesting condition will be satisfied over the following four-year schedule: Twenty-five percent of the option's time-based vesting condition is satisfied one year from the vesting commencement date and the remaining 1/48th of the option's time-based vesting condition is satisfied monthly thereafter, subject to continued employment through each such date. As of January 31, 2020, the total outstanding balance of performance-based stock options was 1,375,000.

The grant date fair value of these awards was determined using a Monte Carlo valuation model and the related stock-based compensation expense is recognized based on an accelerated attribution method. Of the total \$5.4 million in unrecognized stock-based compensation expense for stock options as of January 31, 2020, \$3.1 million related to outstanding performance-based stock options with market-based performance goals, which is expected to be recognized over a weighted-average period of 2.76 years.



### ***Restricted Stock Units***

The following table summarizes the restricted stock unit activity under the equity incentive plans and related information:

	<b>Number of Restricted Stock Units Outstanding</b>	<b>Weighted- Average Grant Date Fair Value</b>
Unvested balance—January 31, 2018. . . . .	14,619,252	\$16.42
Granted. . . . .	10,349,570	22.12
Vested, net of shares withheld for employee payroll taxes. . . . .	(3,344,632)	16.84
Forfeited/cancelled. . . . .	<u>(3,525,483)</u>	17.72
Unvested balance—January 31, 2019. . . . .	<u>18,098,707</u>	\$19.35
Granted. . . . .	12,436,586	18.81
Vested, net of shares withheld for employee payroll taxes. . . . .	(4,166,907)	19.92
Forfeited/cancelled. . . . .	<u>(4,560,279)</u>	19.77
Unvested balance—January 31, 2020. . . . .	<u>21,808,107</u>	\$18.85

As of January 31, 2020, there was \$271.8 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 2.70 years.

### ***Performance-Based Restricted Stock Units***

We use performance-based incentives for certain employees, including 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, the performance measures and the associated target levels for each measure, and the potential payouts based on actual performance for the fiscal year.

In the first quarter of fiscal year 2019, our Compensation Committee adopted and approved the performance criteria and targets for fiscal year 2019 under our omnibus Executive Incentive Plan (the “Fiscal 2019 Executive Bonus Plan”). Based on a review of our actual achievement of pre-established corporate financial objectives and additional inputs from our Compensation Committee, the Fiscal 2019 Executive Bonus Plan was determined, settled and paid out in the first quarter of fiscal year 2020 in a mixture of cash and equity compensation.

In the first quarter of fiscal year 2020, our Compensation Committee adopted and approved the performance criteria and targets for fiscal year 2020 under our omnibus Executive Plan (the “Fiscal 2020 Executive Bonus Plan”). The Fiscal 2020 Executive Bonus Plan provides opportunities for 100% equity incentive compensation payouts based on our actual achievement of pre-established corporate financial objectives, subject to review and a final approval by our Compensation Committee. During the year ended January 31, 2020, we recognized stock-based compensation expense related to the Fiscal 2020 Executive Bonus Plan in the amount of \$4.9 million. The payouts of the Fiscal 2020 Executive Bonus Plan are expected to be made in the form of fully vested restricted stock units in the first quarter of fiscal year 2021.

### ***2015 ESPP***

As of January 31, 2020, there was \$15.5 million of unrecognized stock-based compensation expense related to the 2015 ESPP that is expected to be recognized over the remaining term of the respective offering periods. During the first and third quarters of fiscal year 2020, the fair market value of our stock on the purchase date within each quarter (i.e., March 15, 2019 and September 15, 2019) was lower than the fair market value of our stock on certain offering dates. As a result, certain offering periods reset and the new lower price became the new offering price for a new 24 month offering period. These resets resulted in a change in fair value and a corresponding incremental stock-based compensation expense initially totaling \$7.2 million and \$3.3 million upon the first and third quarter reset, respectively, which are expected to be recognized over the terms of the new offering periods.

### ***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,		
	2020	2019	2018
Cost of revenue . . . . .	\$ 16,769	\$ 14,065	\$10,742
Research and development . . . . .	62,565	45,189	37,733
Sales and marketing . . . . .	38,030	36,864	31,742
General and administrative . . . . .	28,624	23,178	17,268
Total stock-based compensation . . . . .	<u>\$145,988</u>	<u>\$119,296</u>	<u>\$97,485</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,		
	2020	2019	2018
<b>Employee Stock Options</b>			
Expected term (in years) . . . . .	5.5–5.8	5.5–5.8	5.5–6.1
Risk-free interest rate . . . . .	1.8%	2.8%–3.1%	1.8%–2.1%
Volatility . . . . .	45%	45%	38%–40%
Dividend yield . . . . .	0%	0%	0%
<b>Employee Stock Purchase Plan</b>			
Expected term (in years) . . . . .	0.5–2.0	0.5–2.0	0.5–2.0
Risk-free interest rate . . . . .	1.7%–2.5%	2.0%–2.8%	0.9%–1.4%
Volatility . . . . .	34%–55%	37%–50%	28%–43%
Dividend yield . . . . .	0%	0%	0%

The assumptions used in the Black-Scholes option pricing model were determined as follows:

*Fair Value of Common Stock.* We use the market closing price for our Class A common stock as reported on the New York Stock Exchange to determine the fair value of our common stock at each grant date.

*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 2015 ESPP purchase rights.

*Expected Volatility.* Beginning in fiscal year 2019, we estimate the expected volatility of the stock option grants and 2015 ESPP purchase rights based on the historical volatility of our Class A common stock over a period equivalent to the expected term of the stock option grants and 2015 ESPP purchase rights, respectively. In previous years, the expected volatility was derived from the historical stock volatilities of several unrelated public companies within the same industry that we considered to be comparable to our business over a period equivalent to the expected term of the stock option grants and 2015 ESPP purchase rights as we did not have sufficient trading history of our Class A common stock.

*Risk-free Interest Rate.* The risk-free rate that we use is based on the implied yield available on U.S. Treasury zero-coupon issues with remaining terms similar to the expected term on the options and 2015 ESPP purchase rights.

*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

### *Material modification of rights of security holders*

On June 14, 2018, all of our outstanding shares of Class B common stock automatically converted into the same number of shares of Class A common stock pursuant to the terms of our Amended and Restated Certificate of Incorporation. No additional shares of Class B common stock will be issued following such conversion. The conversion occurred pursuant to Article IV of our Amended and Restated Certificate of Incorporation, which provided that each share of Class B common stock would convert automatically, without any further action, into one share of Class A common stock on the first trading day falling on or after the date on which the outstanding shares of Class B common stock represent less than 5% of the aggregate number of shares of the then outstanding Class A common stock and Class B common stock. On June 15, 2018, we filed a certificate with the Secretary of State of the State of Delaware effecting the retirement and cancellation of our Class B common stock. This certificate of retirement had the additional effect of eliminating the authorized Class B common stock, thereby reducing the total number of our authorized shares of common stock by 200,000,000.

Our Class A and Class B common stock are referred to as common stock throughout the notes to the financial statements, unless otherwise noted. After June 14, 2018, common stock refers to our Class A common stock.

For periods where there were Class B shares outstanding, 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,					
	2020		2019		2018	
	Class A	Class B	Class A	Class B	Class A	Class B
Numerator:						
Net loss . . . . .	\$ (144,348)	\$—	\$ (131,089)	\$ (3,523)	\$ (115,847)	\$ (39,113)
Denominator:						
Weighted-average number of shares outstanding—basic and diluted . . . . .	<u>147,762</u>	<u>—</u>	<u>137,652</u>	<u>3,699</u>	<u>100,127</u>	<u>33,805</u>
Net loss per share—basic and diluted . . .	<u>\$ (0.98)</u>	<u>\$—</u>	<u>\$ (0.95)</u>	<u>\$ (0.95)</u>	<u>\$ (1.16)</u>	<u>\$ (1.16)</u>

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,		
	2020	2019	2018
Options to purchase common stock . . . . .	7,598	9,819	11,971
Restricted stock units . . . . .	16,478	14,539	13,369
Employee stock purchase plan . . . . .	1,820	1,353	1,624
Repurchasable shares from early-exercised options and unvested restricted stock . . . . .	—	—	98
Contingently issuable common stock . . . . .	—	—	3
	<u>25,896</u>	<u>25,711</u>	<u>27,065</u>

**Note 12. Income Taxes**

The components of loss before provision for income taxes were as follows (in thousands):

	Year Ended January 31,		
	2020	2019	2018
United States . . . . .	\$(104,362)	\$ (90,408)	\$(107,701)
Foreign . . . . .	<u>(38,576)</u>	<u>(42,806)</u>	<u>(46,544)</u>
Total . . . . .	<u>\$(142,938)</u>	<u>\$(133,214)</u>	<u>\$(154,245)</u>

The components of the provision for income taxes were as follows (in thousands):

	Year Ended January 31,		
	2020	2019	2018
Current:			
Federal . . . . .	\$ —	\$ —	\$ (430)
State . . . . .	196	162	75
Foreign . . . . .	<u>1,485</u>	<u>1,885</u>	<u>1,426</u>
Total . . . . .	<u>\$1,681</u>	<u>\$2,047</u>	<u>\$1,071</u>
Deferred:			
Federal . . . . .	\$ —	\$ —	\$ (134)
State . . . . .	32	18	18
Foreign . . . . .	<u>(303)</u>	<u>(667)</u>	<u>(240)</u>
Total . . . . .	<u>\$ (271)</u>	<u>\$ (649)</u>	<u>\$ (356)</u>
Provision for income taxes . . . . .	<u>\$1,410</u>	<u>\$1,398</u>	<u>\$ 715</u>

As a result of the December 2017 enacted Tax Cuts and Jobs Act (Tax Act), the corporate tax rate changed from 34% to 21% effective January 1, 2018. For the fiscal year ended January 31, 2020, we are subject to the corporate tax rate of 21%. The items accounting for the difference between income taxes computed at the federal statutory income tax rate of 21% and the provision for income taxes consisted of the following (in thousands):

	Year Ended January 31,		
	2020	2019	2018
Tax benefit at federal statutory rate . . . . .	\$(30,017)	\$(27,975)	\$(50,772)
State taxes, net of federal benefit . . . . .	(3,122)	(2,672)	(7,803)
Foreign rate difference . . . . .	(305)	1,798	7,988
Nondeductible expenses . . . . .	2,313	535	689
Research and development credit . . . . .	(6,670)	(5,536)	(3,967)
Stock-based compensation . . . . .	6,325	(6,541)	(4,148)

	Year Ended January 31,		
	2020	2019	2018
Change in reserve for unrecognized tax benefits . . . . .	6,670	5,507	3,537
Other . . . . .	(246)	193	(383)
Change in valuation allowance, including the effect of tax rate change . . . . .	26,462	35,061	(34,119)
Effect of tax rate change on deferred tax assets . . . . .	—	1,028	89,693
Total provision for income taxes . . . . .	<u>\$ 1,410</u>	<u>\$ 1,398</u>	<u>\$ 715</u>

The significant components of our deferred tax assets and liabilities were as follows (in thousands):

	January 31,	
	2020	2019
Deferred tax assets:		
Net operating loss carryover . . . . .	\$ 253,561	\$ 233,952
Accruals and reserves . . . . .	10,187	19,771
Stock-based compensation . . . . .	15,930	16,239
Depreciation and amortization . . . . .	6,288	6,751
Operating lease liabilities . . . . .	62,698	—
Tax credit carryover . . . . .	4,325	4,325
Deferred business interest expense . . . . .	1,061	—
Other . . . . .	1,904	557
Total deferred tax assets . . . . .	355,954	281,595
Valuation allowance . . . . .	(301,757)	(275,293)
Total deferred tax assets, net of valuation allowance . . . . .	54,197	6,302
Deferred tax liabilities:		
Operating lease right-of-use assets, net . . . . .	(49,966)	—
Deferred commissions . . . . .	(2,433)	(4,882)
Goodwill with indefinite life amortization . . . . .	(424)	(283)
Other . . . . .	(28)	(56)
Total deferred tax liabilities . . . . .	(52,851)	(5,221)
Net deferred tax assets . . . . .	<u>\$ 1,346</u>	<u>\$ 1,081</u>

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 net 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 \$26.5 million and \$25.9 million, respectively, during the years ended January 31, 2020 and 2019.

As a result of the Tax Act, net operating loss carryforwards generated for tax years ending after December 31, 2018 will have an indefinite carryforward period. In light of the new law, we have assessed and believe that, it is more likely than not, that the net operating loss carryforwards generated for the fiscal year ended January 31, 2020 in the U.S. will be realized to the extent of future reversal of taxable temporary difference associated with indefinite-lived intangible assets.

In connection with the adoption of ASC 842 in fiscal year 2020, the Company recognized a deferred tax asset in the amount of \$62.7 million related lease liabilities and a deferred tax liability in the amount of \$50.0 million for the year ended January 31, 2020. The net effect of these adjustments to the deferred tax asset and liability will be offset with an adjustment to the valuation allowance.

As of January 31, 2020, we had federal, state and foreign net operating loss carryforwards of \$735.7 million, \$685.7 million and \$320.6 million, respectively, available to offset future taxable income. The federal net operating loss carryforwards generated prior to fiscal year 2018 will expire at various dates beginning in 2025, if not utilized. We have federal net operating loss carryforwards of \$216.7 million, which can be carried forward indefinitely. The state net operating loss carryforwards will expire at various dates beginning

in 2022, if not utilized. The foreign net operating loss carryforwards do not expire. In addition, as of January 31, 2020, we had federal and state research and development tax credit carryforwards of \$32.6 million and \$33.8 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.

Utilization of the federal and state net operating loss 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. We believe that we have provided adequate reserves for our income tax uncertainties in all open tax years.

A reconciliation of the gross unrecognized tax benefits is as follows (in thousands):

	Year Ended January 31,		
	2020	2019	2018
Unrecognized tax benefits—beginning of period . . . . .	\$49,883	\$36,194	\$28,644
Reductions for tax positions related to prior year . . . . .	(10)	—	(971)
Reductions to unrecognized tax benefits as a result of a lapse of the applicable statute of limitations . . . . .	—	(20)	(337)
Additions for tax positions related to prior year . . . . .	—	2,140	—
Additions for tax positions related to current year . . . . .	13,687	11,569	8,858
Unrecognized tax benefits—end of period . . . . .	<u>\$63,560</u>	<u>\$49,883</u>	<u>\$36,194</u>

The gross unrecognized tax benefits, if recognized, would not materially affect the effective tax rate as of January 31, 2020, 2019 and 2018. We do not expect our gross unrecognized tax benefits to change significantly over 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, 2020, 2019 and 2018.

We file tax returns in the U.S. for federal, California, and other states. All tax years remain open to examination for both federal and state purposes as a result of our net operating loss and credit carryforwards. We began to 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, Sweden, and Netherlands starting with the year ended January 31, 2016. Certain tax years remain open to examination.

**Note 13. Restructuring**

Consistent with our focused efforts to drive more profitable growth, in the quarter ended January 31, 2020, we completed certain restructuring activities primarily in our sales & marketing organization, and to a lesser extent in our (1) research and development and (2) general and administrative organizations. The restructuring included eliminating specific senior roles, centralizing the reporting structures for certain functions and geographies, eliminating select sales overlay roles, and reducing headcount in lower performing geographies. In connection with the restructuring, we recorded a charge in the quarter ended January 31, 2020 in the amount of \$1.65 million, which consisted entirely of severance and other personnel-related costs. As of January 31, 2020, all affected personnel had been notified, \$0.6 million of the restructuring charge had been paid, and \$1.05 million of the charge remained accrued and included in accrued compensation and benefits in our consolidated balance sheet. We expect that the remaining accrued charges will be paid out in the quarter ending April 30, 2020.

**Note 14. 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 15. 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 material matching contributions to date.

**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, 2020 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, 2020. The effectiveness of our internal control over financial reporting as of January 31, 2020 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**

On March 17, 2020, after reviewing with its independent compensation consultant the policies regarding acceleration of vesting in connection with a change in control at our peer companies, the Compensation Committee modified the change in control termination protection for certain members of our senior leadership team, including Ms. Carullo, to provide that if, in connection with a change in control, their employment is terminated without cause or they resign for good reason, their outstanding equity awards will be 100% accelerated (an increase from the 24 months of acceleration previously approved). Messrs. Levie and Smith already were provided 100% acceleration, therefore this change had no effect on them.



## 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 2020 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, 2020, and is incorporated in this Annual Report on Form 10-K 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 following 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**

Not applicable.

## EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation of Box, Inc., as amended	8-K	001-36805	3.1	June 23, 2017
3.2	Amended and Restated Bylaws of the Registrant.	10-K	001-36805	3.2	March 30, 2015
3.3	Certificate of Retirement of Class B Common Stock of Box, Inc., dated June 16, 2018	8-K	001-36805	3.1	June 15, 2018
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
4.3	Description of Capital Stock				
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, Dylan Smith, Stephanie Carullo and certain of its executive officers.	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 Dylan Smith, dated as of December 19, 2014.	S-1/A	333-194767	10.10	January 9, 2015

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.12☐	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
10.13	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
10.14	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
10.15☐	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
10.16☐	Wholesale Data center 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
10.17*	Offer Letter between Box, Inc. and Stephanie Carullo, dated July 7, 2017.	8-K	001-36805	10.1	July 12, 2017
10.18*	Credit Agreement, dated as of November 27, 2017, by and between Box, Inc. and Wells Fargo Bank, National Association.	8-K	001-36805	10.1	November 29, 2017
10.19	Amendment No. 1 to Credit Agreement, dated as of July 12, 2019, by and between Box, Inc. and Wells Fargo Bank, National Association.	8-K	001-36805	10.1	July 15, 2019
10.20‡	Colocation Facilities Agreement between the Registrant and Switch Communications Group, L.L.C., dated as of August 10, 2017.	10-Q	001-36805	10.1	June 6, 2019
10.21‡	Amendment No. 1 to the Colocation Facilities Agreement between the Registrant and Switch Communications Group, L.L.C., dated as of July 31, 2018.	10-Q	001-36805	10.2	June 6, 2019
10.22‡	Amendment No. 2 to the Colocation Facilities Agreement between the Registrant and Switch Communications Group, L.L.C., dated as of March 15, 2019.	10-Q	001-36805	10.3	June 6, 2019
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).				

**Incorporated by Reference**

<b>Exhibit Number</b>	<b>Exhibit Description</b>	<b>Form</b>	<b>File No.</b>	<b>Exhibit</b>	<b>Filing Date</b>
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.				
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	Inline XBRL Instance Document.				
101.SCH	Inline XBRL Taxonomy Schema Linkbase Document.				
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document.				
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document.				
101.LAB	Inline XBRL Taxonomy Labels Linkbase Document.				
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document.				
104	Cover Page Interactive Data File (embedded within the Inline XBRL 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.

‡ Certain portions of this exhibit have been omitted as the Registrant has determined (i) the omitted information is not material and (ii) the omitted information would likely cause competitive harm to the Registrant if publicly disclosed.

## 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 19, 2020

### 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, and David Leeb, 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 Annual Report on Form 10-K 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 19, 2020
<u>/s/ Dylan Smith</u> Dylan Smith	Chief Financial Officer and Director (Principal Financial Officer)	March 19, 2020
<u>/s/ Jeff Mannie</u> Jeff Mannie	Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)	March 19, 2020
<u>/s/ Sue Barsamian</u> Sue Barsamian	Director	March 19, 2020
<u>/s/ Dana Evan</u> Dana Evan	Director	March 19, 2020
<u>/s/ Kim Hammonds</u> Kim Hammonds	Director	March 19, 2020
<u>/s/ Peter Leav</u> Peter Leav	Director	March 19, 2020
<u>/s/ Dan Levin</u> Dan Levin	Director	March 19, 2020
<u>/s/ Rory O'Driscoll</u> Rory O'Driscoll	Director	March 19, 2020
<u>/s/ Josh Stein</u> Josh Stein	Director	March 19, 2020



“At Box, our mission is to power how the world works together. That means enabling companies of every size and every industry across the globe to simplify how they share, access, and manage their files in the cloud. This interconnectedness is increasingly crucial as work evolves and teams become even more distributed around the world.”

—Aaron Levie, CEO and Co-founder, Box



### Corporate Headquarters

900 Jefferson Avenue, Redwood City, CA 94063, United States

### Global Offices

#### San Francisco, CA

100 1<sup>st</sup> Street  
13<sup>th</sup> Floor  
San Francisco, CA 94105

#### New York, NY

386 Park Avenue South  
3<sup>rd</sup> Floor  
New York, NY 10016

#### Austin, TX

600 Congress Avenue  
24<sup>th</sup> Floor  
Austin, TX 78701

#### London, UK

White Collar Factory  
1 Old Street Yard  
15<sup>th</sup> Floor  
London EC1Y 8AF  
United Kingdom

#### Tokyo, Japan

Tekko Building  
15<sup>th</sup> Floor  
Marunouchi 1-8-2, Chiyoda Ku  
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Japan

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