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 December 31, 2019

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 001-38434

Dropbox, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**26-0138832**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

Dropbox, Inc.
1800 Owens Street
San Francisco, California 94158
(Address of principal executive offices, including zip code)
(415) 857-6800
(Registrant's telephone number, including area code)

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Class A Common Stock, par value $0.00001 per share	DBX	The NASDAQ Stock Market LLC

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 Section 15(d) of the Securities Exchange Act of 1934 (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 Securities Exchange Act of 1934 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. (Check one):

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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 7(a)(2)(B) of the Securities 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 registrant's Class A common stock held by non-affiliates of the registrant, based on the closing price of a share of the registrant's Class A common stock on June 28, 2019 as reported by the NASDAQ Global Select Market on such date was approximately $5,833.9 million. Shares of the registrant’s Class A common stock held by each executive officer, director and holder of 5% or more of the outstanding Class A common stock have been excluded as 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 18, 2020, there were 258,155,253 shares of the registrant's Class A common stock outstanding (which excludes 14,733,333 shares of Class A common stock subject to restricted stock awards that were granted pursuant to the Co-Founder Grants, and vest upon the satisfaction of a service condition and achievement of certain stock price goals and 2,106,216 shares of Class A common stock subject to restricted stock awards that were granted to other Dropbox executives and vest upon the satisfaction of a service condition), 160,699,326 shares of the registrant’s Class B common stock outstanding, and no shares of the registrant’s Class C common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement relating to the 2020 Annual Meeting of Stockholders are incorporated herein by references in Part II and Part III of this Annual Report on Form 10-K to the extent stated herein. Such Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2019.

TABLE OF CONTENTS

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 risk and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential,” or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans, or intentions. Forward-looking statements contained in this Annual Report on Form 10-K include, but are not limited to, statements about:

- our ability to retain and upgrade paying users and increase our recurring revenue;
- our ability to attract new users or convert registered users to paying users;
- our future financial performance, including trends in revenue, costs of revenue, gross profit or gross margin, operating expenses, paying users, and free cash flow;
- our ability to achieve or maintain profitability;
- the demand for our platform or for content collaboration solutions in general;
- possible harm caused by significant disruption of service or loss or unauthorized access to users’ content;
- our ability to effectively integrate our platform with others;
- our ability to compete successfully in competitive markets;
- our ability to respond to rapid technological changes;
- our expectations and management of future growth;
- our ability to grow due to our lack of a significant outbound sales force;
- our ability to attract large organizations as users;
- our ability to offer high-quality customer support;
- our ability to manage our international expansion;
- our ability to attract and retain key personnel and highly qualified personnel;
- our ability to protect our brand;
- our ability to prevent serious errors or defects in our platform;
- our ability to maintain, protect, and enhance our intellectual property; and
- our ability to successfully identify, acquire, and integrate companies and assets.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this Annual Report on Form 10-K.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Annual Report on Form 10-K primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors 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. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Annual Report on Form 10-K. We cannot assure you that the results, events, and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this Annual Report on Form 10-K relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Annual Report on Form 10-K to reflect events or circumstances after the date of this Annual Report on Form 10-K or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments we may make.

PART I.
ITEM 1. BUSINESS

Overview

Dropbox, Inc. (the "Company" or "Dropbox") is the world's first smart workspace. We were incorporated in May 2007 as Evenflow, Inc., a Delaware corporation, and changed our name to Dropbox, Inc. in October 2009. We are headquartered in San Francisco, California.

We were founded in 2007 with a simple idea: Life would be a lot better if everyone could access their most important information anytime from any device. Over the past decade, we've largely accomplished that mission—but along the way we recognized that for most of our users, sharing and collaborating on Dropbox was even more valuable than storing files.

Our market opportunity has grown as we've expanded from keeping files in sync to keeping teams in sync. Today, Dropbox is well positioned to reimagine the way work gets done. Our smart workspace is a digital environment that brings all of individuals and teams content together with the tools they love, helping users cut through the clutter and surfacing what matters most. We're focused on reducing the inordinate amount of time and energy the world wastes on "work about work"—tedious tasks like searching for content, switching between applications, and managing workflows. We believe the need for our platform will continue to grow as teams become more fluid and global, and content is increasingly fragmented across incompatible tools and devices. Dropbox breaks down silos by centralizing the flow of information between the products and services our users prefer, even if they're not our own. In a world where using technology at work can be fragmented and distracting, the smart workspace makes it easy to focus on the work that matters.

The popularity of our platform drives viral growth, which has allowed us to scale rapidly and efficiently. We've built a thriving global business with 14.3 million paying users.

What Sets Us Apart

Since the beginning, we've focused on simplifying the lives of our users. In a world where business software can be frustrating to use, challenging to integrate, and expensive to sell, we take a different approach.

Simple and intuitive design

While traditional tools developed in the desktop age have struggled to keep up with evolving user demands, Dropbox was designed for the cloud era. We build simple, beautiful products that bring joy to our users and make it easier for them to do their best work.

Open ecosystem

Because people use a wide variety of tools and platforms, Dropbox works seamlessly with other products, integrating with partners including Microsoft, Zoom, Slack, BetterCloud, and Google.

Viral, bottom-up adoption

Every year, millions of users sign up for Dropbox at work. Bottom-up adoption within organizations has been critical to our success as users increasingly choose their own tools at work. We generate over 90% of our revenue from self-serve channels—users who purchase a subscription through our app or website.

Performance and security

Our custom-built infrastructure allows us to maintain high standards of performance, availability, and security. Dropbox is built on proprietary, block-level sync technology to achieve industry-leading performance. We designed our platform with multiple layers of redundancy to guard against data loss and deliver high availability. We also offer numerous layers of protection, from secure file data transfer and encryption to network configuration and application-level controls.

Our Solution

Dropbox allows individuals, teams, and organizations to collaborate more effectively and focus on the work that matters. Anyone can sign up for free through our website or app, and upgrade to a paid subscription plan for premium features.

Key elements of our platform

- *Unified home for content.* We provide a unified home for the world's content and the relevant context around it. To date, our users have added hundreds of billions of pieces of content to Dropbox, totaling over multiple exabytes of data. When users join Dropbox, they gain access to a digital workspace that supports the full content lifecycle—they can create and organize their content, access it from anywhere, share it with internal and external collaborators, and review feedback and history.
- *Global sharing network.* We've built one of the largest collaboration platforms in the world, with more than 4.5 billion connections to shared content. We cater to the needs of dynamic, dispersed teams. The overwhelming majority of our customers use Dropbox to share and collaborate. As we continue to grow, more users benefit from frictionless sharing, and powerful network effects increase the utility and stickiness of our platform.
- *New product experiences and integrations.* The insights we glean from our community of users and our deep integrations with best-of-breed companies lead us to develop new product experiences and extend the capabilities of our platform. Products like Paper and Smart Sync, deep integrations with companies like Microsoft, Zoom, BetterCloud, Atlassian and Slack, and our acquisition of e-signature and document workflow solution HelloSign help us provide our users with the functionality they need to do their best work. Machine learning further improves the user experience by enabling more intelligent search, better organization, and utility of information. This ongoing innovation broadens the value of our platform and deepens user engagement.

These elements reinforce one another to produce a powerful flywheel effect. As users create and share more content with more people, they expand our global sharing network. This network allows us to gather insights and feedback that help us create new product experiences. And with our scale, we can instantly put these innovations in the hands of millions. This, in turn, helps attract more users and content, which further propels the flywheel.

Our Capabilities

Dropbox is a digital workspace where individuals and teams can create content, access it from anywhere, and share it with collaborators. The power of our platform lies in the breadth of our capabilities and the diverse ways our users make Dropbox work for them. We monetize through a range of subscription plans. Our platform capabilities are described below:

Create

Paper. With Paper, users can co-author content, tag others, create timelines, assign tasks with due dates, embed and comment on files, tables, checklists, code snippets, and rich media—all in real-time. We designed Paper to be simple and beautiful so users can focus on the most important ideas and tasks at hand.

Doc scanner. The doc scanner in our mobile app lets users create content in Dropbox from hard copies. This includes transforming everything from printed materials to whiteboard brainstorming sessions into digital documents that users can edit and share. We apply proprietary machine learning techniques to automatically detect the document being scanned, extract it from the background, fit it to a rectangular shape, remove shadows, adjust the contrast, and save it as a PDF or image file. For Dropbox Business teams, scanned content is analyzed using Optical Character Recognition so text within these scans is searchable in Dropbox.

Access and organize

Search. Dropbox has powerful search capabilities that allow users to quickly find the files and folders they need. Our autocomplete technology surfaces and prioritizes content based on users' previous activity. For Dropbox Plus, Professional, and Business users, full text search allows users to scan the entire content of their files.

Rich previews. Rich previews allow users to easily interact with files across any device without having to open different applications. Users can comment on, annotate, review, and present files, and see who viewed and edited them. We support previews of over 300 file types, and Dropbox users currently preview files tens of millions of times every day.

Smart Sync. With Smart Sync, users can access all of their content natively on their computers without taking up storage space on their local hard drives. We intelligently sync files to a user's computer as they need them, and users can control which files or folders are always synced locally. With Smart Sync, files that are only stored in the cloud appear in the local file system and can be opened directly from Windows File Explorer or Mac Finder, instead of having to navigate to our web interface. Smart Sync is available to Dropbox Plus, Professional, and Business users.

Version history. As paying users work on files, our servers keep snapshots of all their changes. Users can see a file's complete version history so they can reference and retrieve older versions if needed. Version histories are kept between 30 to 180 days for paying users, depending on subscription plan.

Third-party ecosystem. Our open and thriving ecosystem fosters deeper relationships with our users and developers. Developers can build applications that connect to Dropbox through our DBX Developer Platform. For example, email apps can plug into Dropbox to send attachments or shared links, video-conferencing apps allow users to start meetings and share content natively from Dropbox, and eSignature apps give users the ability to manage and maintain contract workflows all from within Dropbox. As of December 31, 2019, Dropbox was receiving over 50 billion API calls per month and over 750,000 developers had registered and built applications on our platform. In addition, more than 75% of Dropbox Business teams have linked to one or more third-party applications.

Rewind. Dropbox Rewind is a tool that lets a user take a folder, or their entire account, back to a specific point in time. The tool uses version history to undo changes made to files and folders, and can recover any file edits or deletions made within the last 30 to 180, days depending on the users' subscription.

Share

Folders. There are three types of folders in Dropbox: private, shared, and team folders. A private folder allows an individual to sync files between devices. A shared folder allows users to quickly and easily start a project space for group collaboration. A team folder, which is only available for Dropbox Business teams, is a central, administrator-managed hub where they can store and collaborate on content.

Shared links. Users can share files and folders with anyone, including non-Dropbox users, by creating a Dropbox link. Once created, the link can be sent through email, text, Facebook, Twitter, instant message, or other channels. The recipient can view the file with a rich preview or see all the files in a shared folder. Dropbox Professional subscribers and Dropbox Business teams can set passwords and expiration dates and specify whether recipients can comment on or download the files.

Transfer. Dropbox Transfer gives users a quick and secure way to send large files or collections of files to anyone. With Transfer, users can send up to 100 GB of files in just a few clicks. Users also have the option to drag and drop files to upload from their computer, or add items stored in Dropbox. After creating a transfer, users receive a link that can be pasted anywhere and sent to anyone. Recipients receive copies of the files, so the sender's originals remain untouched.

File requests. With file requests, users can invite anyone to submit files into a specified Dropbox folder through a simple link—regardless of whether the recipient has a Dropbox account. File requests are ideal for tasks such as collecting bids from contractors or requesting submissions from coworkers and clients. All submitted files are organized into a Dropbox folder that's private to the requesting user.

Watermarking. Our Dropbox watermarking feature allows users to protect and share digital files quickly and easily. The watermark feature can be used to protect graphic designs, confidential contracts, and personal photographs. Users can create their own custom watermark and watermark any file without leaving Dropbox.

Collaborate

Comments and annotations. Dropbox comments and annotations marry content with the conversations and relevant context around it. Instead of being scattered across separate silos, such as email and chat, the editing and development of content are tied to a file. Users can give feedback on specific parts of files through a rich, innovative overlay on our web and mobile platforms.

File activity stream. An activity feed lives next to every file preview on our web interface and in the desktop app, telling users what's happening with a file. The feed shows when someone opens a file, edits a file, or shares a file.

Notifications. We use real-time notifications across all our channels—web, desktop, email, and mobile—to keep users up-to-date on what's happening with their work. Users can choose to be notified when someone opens, edits, shares, or comments on a file, or adds a file to their shared folders.

Viewer information and presence. On both file previews and Paper docs, Dropbox shows users in real-time who's viewing a doc and when a doc was last viewed by other users. On desktop, the Dropbox badge is a subtle overlay to Microsoft Word, Excel, and PowerPoint that lets users know if someone opens or edits the file they're working in. The Dropbox badge gives users real-time insight into how others are interacting with their content, bringing modern collaboration features often found only in web-based documents to desktop files.

HelloSign. HelloSign is an eSignature and document workflow platform that enables customers to easily sign, send, and receive documents through its intuitive web and mobile based interfaces. Once documents are signed, copies automatically sync to the user's Dropbox account.

Secure

Security protections. We employ strong protections for all of the data on our platform.

- *Encryption*. Dropbox file data at rest is encrypted using 256-bit Advanced Encryption Standard, or AES. To protect data in transit between Dropbox apps such as desktop, mobile, API, or web and our servers, Dropbox uses Secure Sockets Layer, or SSL, and Transport Layer Security, or TLS, for data transfer, creating a secure tunnel protected by 128-bit or higher AES encryption.
- *File recovery*. Every deletion event in Dropbox is recorded, including when groups of files are deleted. Users can easily recover files through our web interface. Dropbox Plus subscribers may recover prior versions for up to 30 days after deletion, and Dropbox Professional and Dropbox Business subscribers may recover prior versions for up to 180 days after deletion.

Administrator controls. Dropbox Business team administrators have many ways to customize security settings in both global and granular ways.

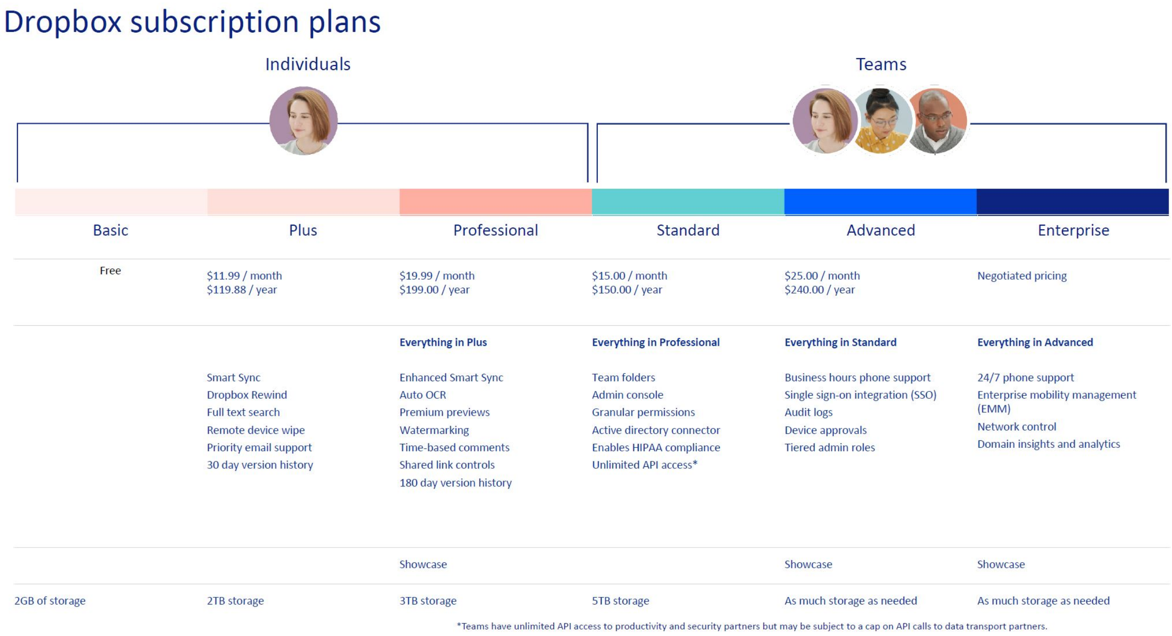
- *Sharing permissions*: Team administrators can set up and monitor how their members share team folders, and can set sharing permissions on all folders, sub-folders, and links through the sharing tab.
- *Remote device wipe*: Team administrators can delete their organization's Dropbox content from a member's linked devices, which is especially useful should someone lose a device or leave the team.
- *Audit log*: Team administrators can monitor which members are sharing files and logging into Dropbox, among other events. They can review activity logs, create full reports for specific time ranges, and pull activity reports on specific members. Advanced and Enterprise team administrators have access to audit logs with file-event tracking.
- *Device approvals*: Advanced and Enterprise team administrators can manage how members access Dropbox on their devices.
- *Tiered administrator roles*: Advanced and Enterprise teams have the ability to set multiple administrator roles, each with a different set of permissions.
- *Network control*: Enterprise team administrators can restrict personal Dropbox usage on their organization's network.

Third-party security integrations. We've partnered with industry-leading third parties to enable us to provide a wide range of IT processes and satisfy industry compliance standards, including:

- *Security information and event management*: Allows Dropbox Business administrators to oversee and manage employee activity, and access sensitive data through the administrator page.
- *Data loss prevention*: Protects sensitive data like personally identifiable information and payment card industry data stored in Dropbox Business accounts.
- *eDiscovery and legal hold*: Enables secure search and the ability to collect and preserve electronically stored information in Dropbox Business accounts.
- *Digital rights management*: Provides third-party encryption for company data stored in Dropbox Business accounts.
- *Data migration and on-premises backup*: Assists in transferring large amounts of data between locations and securing sensitive information with on-site data backup.
- *Identity management*: Allows companies to keep their Dropbox Business team authenticated with an external identity provider like Active Directory.

Our Subscription Plans

We offer subscription plans to serve the varying needs of our diverse customer base, which includes individuals, teams, and organizations of all sizes. Our monthly subscription pricing for Individuals and Business are as follows:



Our Customers

We've built a thriving global business with 14.3 million paying users. As of December 31, 2019, we had more than 450,000 paying Dropbox Business teams. Our customer base is highly diversified, and in 2017, 2018, and 2019, no customer accounted for more than 1% of our revenue. Our customers include individuals, teams, and organizations of all sizes, from freelancers and small businesses to Fortune 100 companies. They work across a wide range of industries, including professional services, technology, media, education, industrials, consumer and retail, and financial services. Within companies, our platform is used by all types of teams and functions, including sales, marketing, product, design, engineering, finance, legal, and human resources.

How we support our customers

All of our users can access support through the following resources:

- *Help center*: Provides an online repository of helpful information about our platform, responses to frequently asked questions, and best practices for use.
- *Community support*: Facilitates collaboration between users on answers, solutions, and ideas about our platform in an online community.
- *Twitter support*: Provides users real-time product and service updates, and offers tips and troubleshooting information.
- *Guided troubleshooting*: Offers step-by-step instructions to resolve common questions and provides a portal to submit help requests for questions that aren't otherwise available.

We also offer additional support for our paying users as described above in Our Subscription Plans.

Our Sales and Marketing Approach

As users share content and collaborate on our platform, they introduce and invite new users, driving viral growth. We generate over 90% of our revenue from self-serve channels, which limits customer acquisition costs.

We've developed an efficient marketing function that's focused on building brand awareness and reinforcing our self-serve model.

Our goal is to rapidly demonstrate the value of our platform to our users in order to convert them to paying users and upgrade them to our premium offerings. We reach them through in-product prompts and notifications, time-limited trials of paid subscription plans, email, and lifecycle marketing. In 2019, hundreds of millions of devices—including computers, phones, and tablets—were actively connected to the Dropbox platform, representing a large number of touchpoints to communicate with our users.We complement our self-serve strategy with a focused outbound sales effort targeted at organizations with existing organic adoption of Dropbox.

Once prospects are identified, our sales team works to broaden adoption of our platform into wider-scale deployments. We also acquire some users through paid marketing and distribution partnerships in which hardware manufacturers pre-install our software on their devices.

Our Technology Infrastructure and Operations

Our users trust us with their most important content, and we focus on providing them with a secure and easy-to-use platform. More than 90% of our users' data is stored on our own custom-built infrastructure, which has been designed from the ground up to be reliable and secure, and to provide annual data durability of at least 99.999999999%. We have datacenter co-location facilities in California, Oregon, Texas, and Virginia.

We also utilize Amazon Web Services, or AWS, for the remainder of our users' storage needs and to help deliver our services. These AWS datacenters are located in the United States, Australia, Europe, and Japan, which allows us to localize where content is stored. Our technology infrastructure, combined with select use of AWS resources, provides us with a distributed and scalable architecture on a global scale.

We designed our platform with multiple layers of redundancy to guard against data loss and deliver high availability. Incremental backups are performed hourly and full backups are performed daily. In addition, as a default, redundant copies of content are stored independently in at least two separate geographic regions and replicated reliably within each region.

Our Employees

As of December 31, 2019, we had 2,801 full-time employees. We also engage contractors and consultants. None of our employees are represented by a labor union. We have not experienced any work stoppages, and we believe that our employee relations are strong.

Our Commitment to Security and Privacy

Trust is the foundation of our relationship with our users, and we take significant measures every day to protect their privacy and security.

Security

Our sophisticated infrastructure is designed to protect our users' content while it is transferred, stored, and processed. We offer multiple layers of protection, including secure file data transfer, encryption, network configuration, and application-level controls. For Dropbox Business teams, our tools also empower administrators with control and visibility features that allow them to customize our platform to their organizations' needs. Our information security policies and management framework are designed to build a culture of security, and we continually assess risks and improve the security, confidentiality, integrity, and availability of our systems. We voluntarily engage third-party security auditors to test our systems and controls at least annually against the most widely recognized security standards and regulations. We also encourage and support independent research through our bug bounty program, where we work with leading security researchers from around the world to maintain the high standards of security our users have come to expect.

Dropbox supports HIPAA and HITECH compliance. We sign business associate agreements with our customers who require them in order to comply with the Health Insurance Portability and Accountability Act, or HIPAA, and the Health Information Technology for Economic and Clinical Health Act, or HITECH. We also offer a HIPAA assessment report performed by an independent third party.

Privacy

We're committed to keeping user data private. Our privacy policy details how users' information is protected and the steps we take to protect it. Dropbox also has terms and guidelines for third-party developers to create applications that connect to Dropbox while respecting user privacy. Dropbox is certified under the EU-U.S. and Swiss-U.S. Privacy Shield and operates a robust privacy program.

Our Competition

The market for content collaboration platforms is competitive and rapidly changing. Certain features of our platform compete in the cloud storage market with products offered by Microsoft, Amazon, Apple, Slack, and Google and in the content collaboration market with products offered by Microsoft, Atlassian, and Google. We compete with Box on a more limited basis in the cloud storage market for deployments by large enterprises. We also compete with smaller private companies that offer point solutions in the cloud storage market or the content collaboration market.

We believe that the principal competitive factors in our markets include the following:

- user-centric design;
- ease of adoption and use;
- scale of user network;
- features and platform experience;
- performance;
- brand;
- security and privacy;
- accessibility across several devices, operating systems, and applications;
- third-party integration;
- customer support;
- continued innovation; and
- pricing.

We believe we compete favorably across these factors and are largely unhindered by legacy constraints. However, some of our competitors may have greater name recognition, longer operating histories, more varied services, the ability to bundle a broader range of products and services, larger marketing budgets, established marketing relationships, access to larger user bases, major distribution agreements with hardware manufacturers and resellers, and greater financial, technical, and other resources.

Intellectual Property

We believe that our intellectual property rights are valuable and important to our business. We rely on patents, patent applications, trademarks, copyrights, trade secrets, know-how license agreements, confidentiality procedures, non-disclosure agreements, employee disclosure and invention assignment agreements, and other contractual rights to establish and protect our proprietary rights. In addition, from time to time we’ve purchased patents, inbound licenses, trademarks, domain names, and patent applications from third parties.

We have over 1,000 issued patents and more than 500 pending patent applications in the United States and abroad. These patents and patent applications seek to protect our proprietary inventions relevant to our business. In addition, we have a large number of inbound licenses to key patents in the file collaboration, storage, syncing, and sharing markets.

We have trademark rights in our name, our logo, and other brand indicia, and have trademark registrations for select marks in the United States and many other jurisdictions around the world. We also have registered domain names for websites that we use in our business, such as www.dropbox.com, and similar variations.

We intend to pursue additional intellectual property protection to the extent we believe it would be beneficial and cost effective. Despite our efforts to protect our intellectual property rights, they may not be respected in the future or may be invalidated, circumvented, or challenged. In addition, the laws of various foreign countries where our products are distributed may not protect our intellectual property rights to the same extent as laws in the United States.

Corporate Information

We were incorporated in May 2007 as Evenflow, Inc., a Delaware corporation, and changed our name to Dropbox, Inc. in October 2009. Our principal offices are located at 1800 Owens Street, San Francisco, California, 94158, and our telephone number is (415) 857-6800. We completed our initial public offering in March 2018, and our Class A common stock is listed on the NASDAQ Global Select Market under the symbol “DBX.”

Available Information

Our website is located at http://www.dropbox.com/, and our investor relations website is located at http://investors.dropbox.com/. We have used, and intend to continue to use, our investor relations website as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. The following filings are available through our investor relations website after we file them with the Securities and Exchange Commission ("SEC"): Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, current reports on Form 8-K, and our Proxy Statement for our annual meeting of stockholders. These filings are also available for download free of charge on our investor relations website. The SEC also maintains an Internet website that contains reports, proxy statements and other information about issuers, like us, that file electronically with the SEC. The address of that website is www.sec.gov. The contents of these websites are not incorporated into this filing. Further, the Company’s references to the URLs for these websites are intended to be inactive textual references only.

ITEM 1A. RISK FACTORS

Investing in our Class A common stock involves a high degree of risk. In addition to the other information set forth in this Annual Report, 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 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. Our business, results of operations, financial condition, or prospects could also be harmed by risks and uncertainties that are not presently known to us or that we currently believe are not material. If any of the risks actually occur, our business, results of operations, financial condition, 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 all or part of your investment.

Risks Related to Our Business and Our Industry

Our business depends on our ability to retain and upgrade paying users, and any decline in renewals or upgrades could adversely affect our future results of operations.

Our business depends upon our ability to maintain and expand our relationships with our users. Our business is subscription based, and paying users are not obligated to and may not renew their subscriptions after their existing subscriptions expire. As a result, we cannot provide assurance that paying users will renew their subscriptions utilizing the same tier of our products or upgrade to premium offerings. Renewals of subscriptions to our platform may decline or fluctuate because of several factors, such as dissatisfaction with our products, support, pricing, or mix of features, a user no longer having a need for our products, or the perception that competitive products provide better or less expensive options. In addition, some paying users downgrade or do not renew their subscriptions.

We encourage paying users to upgrade to our premium offerings by recommending additional features and through in-product prompts and notifications. We are focused on increasing recurring revenue and we believe that users that subscribe to our premium paid offerings demonstrate a propensity to retain and expand their deployments over time. We seek to expand within organizations through viral means by adding new users, having workplaces purchase additional products, or expanding the use of Dropbox into other departments within a workplace. We often see enterprise IT decision-makers deciding to adopt Dropbox after noticing substantial organic adoption by individuals and teams within the organization. If our paying users cancel their subscriptions or fail to renew, or if we fail to upgrade our paying users to premium offerings or expand within organizations, our business, results of operations, and financial condition may be harmed. Furthermore, users who upgrade to paid plans using mobile devices subscribe to our monthly plans rather than our annual plans. As a result, if more of our users subscribe to our paid plans through mobile devices, subscription renewals may fluctuate or decline. Additionally, we are increasingly introducing our users to offerings that are not subscription based, such as add-ons and transaction volume-based offerings. We believe these efforts, and certain fees from the referral of users to our partners, will generate increased recurring revenues from our existing user base. However, if users do not believe these offerings are compelling, they may not retain or expand their deployments, and we may not be able to increase the amount of recurring revenue from our user base.

Although it is important to our business that our users renew their subscriptions after their existing subscriptions expire and that we expand our commercial relationships with our users, given the volume of our users, we do not actively monitor the retention rates of our individual users. As a result, we may be unable to address any retention issues with specific users in a timely manner, which could harm our business.

Our future growth could be harmed if we fail to attract new users or convert registered users to paying users.

We must continually add new users to grow our business beyond our current user base and to replace users who choose not to continue to use our platform. Historically, our revenue has been driven by our self-serve model, and we generate more than 90% of our revenue from self-serve channels. Any decrease in user satisfaction with our products or support could harm our brand, word-of-mouth referrals, and ability to grow.

Additionally, many of our users initially access our platform free of charge. We strive to demonstrate the value of our platform to our registered users, thereby encouraging them to convert to paying users through in-product prompts and notifications, and time-limited trials of paid subscription plans. As of December 31, 2019, we served over 600 million registered users but only 14.3 million paying users. The actual number of unique users is lower than we report as one person may register more than once for our platform. As a result, we have fewer unique registered users that we may be able to convert to paying users. A majority of our registered users may never convert to a paid subscription to our platform, and failure to convert users to a paid subscription will restrict our ability to grow our revenue.

In addition, our user growth rate has and may continue to slow in the future as our market penetration rates increase and we turn our focus to converting registered users to paying users rather than growing the total number of registered users. If we are not able to continue to expand our user base or fail to convert our registered users to paying users, demand for our paid services and our revenue may grow more slowly than expected or decline.

Our revenue growth rate has declined in recent periods and may continue to slow in the future.

We have experienced significant revenue growth in prior periods. However, our rates of revenue growth are slowing and may continue to slow in the future. Many factors may contribute to declines in our growth rates, including higher market penetration, increased competition, slowing demand for our platform, a decrease in the growth of the overall content collaboration market, a failure by us to continue capitalizing on growth opportunities, and the maturation of our business, among others. You should not rely on the revenue growth of any prior quarterly or annual period as an indication of our future performance. If our growth rates decline, investors’ perceptions of our business and the trading price of our Class A common stock could be adversely affected.

We operate in competitive markets, and we must continue to compete effectively.

The market for content collaboration platforms is competitive and rapidly changing. Certain features of our platform compete in the cloud storage market with products offered by Microsoft, Amazon, Apple and Google and in the content collaboration market with products offered by Microsoft, Atlassian, Slack, and Google. We compete with Box on a more limited basis in the cloud storage market for deployments by large enterprises. We also compete with smaller private companies that offer point solutions in the cloud storage market or the content collaboration market. We believe the principal competitive factors in our markets include the following:

- user-centric design;
- ease of adoption and use;
- scale of user network;
- features and platform experience
- performance;
- brand;
- security and privacy
- accessibility across several devices, operating system, and applications;
- third-party integration;
- customer support;
- continued innovation; and
- pricing.

With the introduction of new technologies and market entrants, we expect competition to intensify. Many of our actual and potential competitors or alliances among competitors benefit from competitive advantages over us, such as greater name recognition, longer operating histories, more varied products and services, larger marketing budgets, more established marketing relationships, access to larger user bases, major distribution agreements with hardware manufacturers and resellers, and greater financial, technical, and other resources. Some of our competitors may make acquisitions or enter into strategic relationships to offer a broader range of products and services than we do. These combinations may make it more difficult for us to compete effectively. We expect these trends to continue as competitors attempt to strengthen or maintain their market positions.

Demand for our platform is also sensitive to price. Many factors, including our marketing, user acquisition and technology costs, and our current and future competitors’ pricing and marketing strategies, can significantly affect our pricing strategies. Certain of our competitors offer, or may in the future offer, lower-priced or free products or services that compete with our platform or may bundle and offer a broader range of products and services.

Similarly, certain competitors may use marketing strategies that enable them to acquire users at a lower cost than us. There can be no assurance that we will not be forced to engage in price-cutting initiatives or to increase our marketing and other expenses to attract and retain users in response to competitive pressures, either of which could materially and adversely affect our business, results of operations, and financial condition.

We have a history of net losses, we may increase expenses in the future, and we may not be able to achieve or maintain profitability.

We have incurred net losses on an annual basis since our inception. We incurred net losses of $52.7 million, $484.9 million, and $111.7 million in the years ended December 31, 2019, 2018, and 2017, respectively, and we had an accumulated deficit of $1,726.2 million as of December 31, 2019. As we strive to grow our business, expenses may increase in the near term, particularly as we continue to make investments to scale our business. For example, we will need an increasing amount of technical infrastructure to continue to satisfy the needs of our user base. Our research and development expenses may also increase as we plan to continue to hire employees for our engineering, product, and design teams to support these efforts. In addition, we will incur additional rent expense in connection with our move to our new corporate headquarters, and additional general and administrative expenses to support both our growth as well as our transition to being a publicly traded company. These investments may not result in increased revenue or growth in our business. Further, we have created mobile applications and mobile versions of Dropbox that are distributed to users primarily through app stores operated by Apple and Google, each of whom charge us in-application purchase fees. As a result, if more of our users subscribe to our products through mobile applications, these fees may have an adverse impact on our results of operations. We may also encounter unforeseen or unpredictable factors, including unforeseen operating expenses, complications, or delays, which may result in increased costs. Furthermore, it is difficult to predict the size and growth rate of our market, user demand for our platform, user adoption and renewal of our platform, the entry of competitive products and services, or the success of existing competitive products and services. As a result, we may not achieve or maintain profitability in future periods. If we fail to grow our revenue sufficiently to keep pace with our investments and other expenses, our results of operations and financial condition would be adversely affected.

Our business could be damaged, and we could be subject to liability if there is any unauthorized access to our data or our users’ content, including through privacy and data security breaches.

The use of our platform involves the transmission, storage, and processing of user content, some of which may be considered personally identifiable, confidential, or sensitive. We face security threats from malicious third parties that could obtain unauthorized access to our systems, infrastructure, and networks. We anticipate that these threats will continue to grow in scope and complexity over time. For example, in 2016, we learned that an old set of Dropbox user credentials for approximately 68 million accounts was released. These credentials consisted of email addresses and passwords protected by cryptographic techniques known as hashing and salting. Hashing and salting can make it more difficult to obtain the original password, but may not fully protect the original password from being obtained. We believe these Dropbox user credentials were obtained in 2012 and related to a security incident we disclosed to users. In response, we notified all existing users we believed to be affected and completed a password reset for anyone who had not updated their password since mid-2012. We have responded to this event by expanding our security team and data monitoring capabilities and continuing to work on features such as two-factor authentication to increase protection of user information. While we believe our corrective actions will reduce the likelihood of similar incidents occurring in the future, third parties might use techniques that we are unable to defend against to compromise and infiltrate our systems, infrastructure, and networks. We may fail to detect the existence of a breach of user content and be unable to prevent unauthorized access to user and company content. The techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and are often not recognized until launched against a target. They may originate from less regulated or remote areas around the world, or from state-sponsored actors. If our security measures are breached, or our users’ content is otherwise accessed through unauthorized means, or if any such actions are believed to occur, our platform may be perceived as insecure, and we may lose existing users or fail to attract and retain new users.

We may rely on third parties when deploying our infrastructure, and in doing so, expose it to security risks outside of our direct control. We rely on outside vendors and contractors to perform services necessary for the operation of the business, and they may fail to adequately secure our user and company content. In addition, certain developers or other partners who create applications that integrate with our platform, may receive or store information provided by us or by our users through these applications. If these third parties or developers fail to adopt or adhere to adequate data security practices, or in the event of a breach of their networks, our data or our users' data may be improperly accessed, used, or disclosed.

Third parties may attempt to compromise our employees and their privileged access into internal systems to gain access to accounts, our information, our networks, or our systems. Employee error, malfeasance, or other errors in the storage, use, or transmission of personal information could result in an actual or perceived breach of user privacy. Our users may also disclose or lose control of their passwords, or use the same or similar passwords on third parties' systems, which could lead to unauthorized access to their accounts on our platform.

Any unauthorized or inadvertent access to, or an actual or perceived security breach of, our systems, infrastructure, or networks could result in an actual or perceived loss of, or unauthorized access to, our data or our users' content, regulatory investigations and orders, litigation, indemnity obligations, damages, penalties, fines, and other costs in connection with actual and alleged contractual breaches, violations of applicable laws and regulations, and other liabilities. Any such incident could also materially damage our reputation and harm our business, results of operations, and financial condition, including reducing our revenue, causing us to issue credits to users, negatively impacting our ability to accept and process user payment information, eroding our users' trust in our services and payment solutions, subjecting us to costly user notification or remediation, harming our ability to retain users, harming our brand, or increasing our cost of acquiring new users. We maintain errors, omissions, and cyber liability insurance policies covering certain security and privacy damages. However, we cannot be certain that our coverage will be adequate for liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms, or at all. Further, if a high-profile security breach occurs with respect to another content collaboration solutions provider, our users and potential users could lose trust in the security of content collaboration solutions providers generally, which could adversely impact our ability to retain users or attract new ones.

Our business could be harmed by any significant disruption of service on our platform or loss of content.

Our brand, reputation, and ability to attract, retain, and serve our users are dependent upon the reliable performance of our platform, including our underlying technical infrastructure. Our users rely on our platform to store digital copies of their valuable content, including financial records, business information, documents, photos, and other important content. Our technical infrastructure may not be adequately designed with sufficient reliability and redundancy to avoid performance delays or outages that could be harmful to our business. If our platform is unavailable when users attempt to access it, or if it does not load as quickly as they expect, users may not use our platform as often in the future, or at all.

As our user base and the amount and types of information stored, synced, and shared on our platform continues to grow, we will need an increasing amount of technical infrastructure, including network capacity and computing power, to continue to satisfy the needs of our users. The vast majority of user content is stored on our own custom-built infrastructure at co-location facilities that we directly lease and operate. During 2015 and 2016, we migrated the vast majority of user content to our own custom-built infrastructure in co-location facilities that we directly lease and operate. As we add to our infrastructure, we may move or transfer additional content.

Further, as we continue to grow and scale our business to meet the needs of our users, we may overestimate or underestimate our infrastructure capacity requirements, which could adversely affect our results of operations. The costs associated with leasing and maintaining our custom-built infrastructure in co-location facilities and third-party datacenters already constitute a significant portion of our capital and operating expenses. We continuously evaluate our short- and long-term infrastructure capacity requirements to ensure adequate capacity for new and existing users while minimizing unnecessary excess capacity costs. If we overestimate the demand for our platform and therefore secure excess infrastructure capacity, our operating margins could be reduced. If we underestimate our infrastructure capacity requirements, we may not be able to service the expanding needs of new and existing users, and our hosting facilities, network, or systems may fail.

In addition, the datacenters that we use are vulnerable to damage or interruption from human error, intentional bad acts, earthquakes, floods, fires, war, terrorist attacks, power losses, hardware failures, systems failures, telecommunications failures, and similar events, any of which could disrupt our service, destroy user content, or prevent us from being able to continuously back up or record changes in our users' content. In the event of significant physical damage to one of these datacenters, it may take a significant period of time to achieve full resumption of our services, and our disaster recovery planning may not account for all eventualities. Damage or interruptions to these datacenters could harm our platform and business.

We generate revenue from sales of subscriptions to our platform, and any decline in demand for our platform or for content collaboration solutions in general could negatively impact our business.

We generate, and expect to continue to generate, revenue from the sale of subscriptions to our platform. As a result, widespread acceptance and use of content collaboration solutions in general, and our platform in particular, is critical to our future growth and success. If the content collaboration market fails to grow or grows more slowly than we currently anticipate, demand for our platform could be negatively affected.

Changes in user preferences for content collaboration may have a disproportionately greater impact on us than if we offered multiple platforms or disparate products. Demand for content collaboration solutions in general, and our platform in particular, is affected by a number of factors, many of which are beyond our control. Some of these potential factors include:

- awareness of the content collaboration category generally;
- availability of products and services that compete with ours;
- ease of adoption and use;
- features and platform experience;
- performance;
- brand;
- security and privacy;
- customer support; and
- pricing.

The content collaboration market is subject to rapidly changing user demand and trends in preferences. If we fail to successfully predict and address these changes and trends, meet user demands, or achieve more widespread market acceptance of our platform, our business, results of operations, and financial condition could be harmed.

Our business depends upon the interoperability of our platform across devices, operating systems, and third-party applications that we do not control.

One of the most important features of our platform is its broad interoperability with a range of diverse devices, operating systems, and third-party applications. Our platform is accessible from the web and from devices running Windows, Mac OS, iOS, Android, WindowsMobile, and Linux. We also have integrations with Microsoft, Adobe, Apple, Salesforce, Atlassian, Slack, BetterCloud, Google, IBM, Cisco, VMware, Okta, Symantec, Palo Alto Networks, Zoom, and a variety of other productivity, collaboration, data management, and security vendors. We are dependent on the accessibility of our platform across these third-party operating systems and applications that we do not control. Several of our competitors own, develop, operate, or distribute operating systems, app stores, third-party datacenter services, and other software, and also have material business relationships with companies that own, develop, operate, or distribute operating systems, applications markets, third-party datacenter services, and other software that our platform requires in order to operate. Moreover, some of these competitors have inherent advantages developing products and services that more tightly integrate with their software and hardware platforms or those of their business partners.

Third-party services and products are constantly evolving, and we may not be able to modify our platform to assure its compatibility with that of other third parties following development changes. In addition, some of our competitors may be able to disrupt the operations or compatibility of our platform with their products or services, or exert strong business influence on our ability to, and terms on which we, operate and distribute our platform. For example, we currently offer products that directly compete with several large technology companies that we rely on to ensure the interoperability of our platform with their products or services. We also rely on these companies to make our mobile applications available through their app stores. As our respective products evolve, we expect this level of competition to increase. Should any of our competitors modify their products or standards in a manner that degrades the functionality of our platform or gives preferential treatment to competitive products or services, whether to enhance their competitive position or for any other reason, the interoperability of our platform with these products could decrease and our business, results of operations, and financial condition could be harmed.

Failure to respond to rapid technological changes, extend our platform, or develop new features or products may harm our ability to compete effectively which would adversely affect our business.

The content collaboration market is characterized by rapid technological change and frequent new product and service introductions. Our ability to grow our user base and increase revenue from existing users will depend heavily on our ability to enhance and improve our platform, introduce new features and products, increase our strategic partnerships with third parties, and interoperate across an increasing range of devices, operating systems, and third-party applications. Users may require features and capabilities that our current platform does not have. We invest significantly in research and development, and our goal is to focus our spending on measures that improve quality and ease of adoption and create organic user demand for our platform. For example, in 2017, we released Smart Sync, an advanced productivity feature, and introduced Paper, a new collaborative product experience. In 2018, we announced Dropbox Extensions, which allows users to initiate and manage workflows with third-party partner applications from Dropbox. More recently, in 2019, we launched Dropbox Spaces, an evolution of the shared folder which creates a collaborative workspace for individuals and teams to work together. There is no assurance that our enhancements to our platform or our new product experiences, partnerships, features, or capabilities will be compelling to our users or gain market acceptance. If our research and development investments do not accurately anticipate user demand, we are unsuccessful in establishing or maintaining our strategic partnerships, or if we fail to develop our platform in a manner that satisfies user preferences in a timely and cost-effective manner, we may fail to retain our existing users or increase demand for our platform.

The introduction of new products and services by competitors or the development of entirely new technologies to replace existing offerings could make our platform obsolete or adversely affect our business, results of operations, and financial condition. We may experience difficulties with software development, design, or marketing that could delay or prevent our development, introduction, or implementation of new product experiences, features, or capabilities. We have in the past experienced delays in our internally planned release dates of new features and capabilities, and there can be no assurance that new product experiences, features, or capabilities will be released according to schedule. Any delays could result in adverse publicity, loss of revenue or market acceptance, or claims by users brought against us, all of which could have a material and adverse effect on our reputation, business, results of operations, and financial condition. Moreover, new features to our platform may require substantial investment, and we have no assurance that such investments will be successful. If users do not widely adopt our new product experiences, features, and capabilities, we may not be able to realize a return on our investment. If we are unable to develop, license, or acquire new features and capabilities to our platform on a timely and cost-effective basis, or if such enhancements do not achieve market acceptance, our business, results of operations, and financial condition could be adversely affected.

We may not successfully manage our growth or plan for future growth.

Since our founding in 2007, we have experienced rapid growth. For example, our headcount has grown from 1,612 employees as of December 31, 2016, to 2,801 employees as of December 31, 2019, with employees located both in the United States and internationally. The growth and expansion of our business places a continuous significant strain on our management, operational, and financial resources. Further growth of our operations to support our user base or our expanding third-party relationships, our information technology systems, and our internal controls and procedures may not be adequate to support our operations. In addition, as we continue to grow, we face challenges of integrating, developing, and motivating a rapidly growing employee base in various countries around the world. Certain members of our management have not previously worked together for an extended period of time and some do not have prior experience managing a public company, which may affect how they manage our growth. Managing our growth will also require significant expenditures and allocation of valuable management resources.

In addition, our rapid growth may make it difficult to evaluate our future prospects. Our ability to forecast our future results of operations is subject to a number of uncertainties, including our ability to effectively plan for and model future growth. We have encountered in the past, and may encounter in the future, risks and uncertainties frequently experienced by growing companies in rapidly changing industries. If we fail to achieve the necessary level of efficiency in our organization as it grows, or if we are not able to accurately forecast future growth, our business, results of operations, and financial condition could be harmed.

Our lack of a significant outbound sales force may limit the potential growth of our business.

Historically, our business model has been driven by organic adoption and viral growth, with more than 90% of our revenue generated from self-serve channels. As a result, we do not have a significant outbound sales force, which has enabled us to be more efficient with our sales and marketing spend. Although we believe our business model can continue to scale without a large outbound sales force, our word-of-mouth and user referral marketing model may not continue to be as successful as we anticipate, and our limited experience selling directly to large organizations through our outbound sales force may impede our future growth. As we continue to scale our business, an enhanced sales infrastructure could assist in reaching larger organizations and growing our revenue. Identifying and recruiting additional qualified sales personnel and training them would require significant time, expense, and attention, and would significantly impact our business model. Further, adding more sales personnel would change our cost structure and results of operations, and we may have to reduce other expenses in order to accommodate a corresponding increase in sales and marketing expenses. If our limited experience selling and marketing to large organizations prevents us from reaching larger organizations and growing our revenue, and if we are unable to hire, develop, and retain talented sales personnel in the future, our business, results of operations, and financial condition could be adversely affected.

We may expand sales to large organizations, which could lengthen sales cycles and result in greater deployment challenges.

As our business evolves, we may need to invest more resources into sales to large organizations. Large organizations may undertake a significant evaluation and negotiation process, which can lengthen our sales cycle. We may also face unexpected deployment challenges with large organizations or more complicated deployment of our platform. Large organizations may demand more configuration and integration of our platform or require additional security management or control features. We may spend substantial time, effort, and money on sales efforts to large organizations without any assurance that our efforts will produce any sales. As a result, sales to large organizations may lead to greater unpredictability in our business, results of operations, and financial condition.

Any failure to offer high-quality customer support may harm our relationships with our users and our financial results.

We have designed our platform to be easy to adopt and use with minimal to no support necessary. Any increased user demand for customer support could increase costs and harm our results of operations. In addition, as we continue to grow our operations and support our global user base, we need to be able to continue to provide efficient customer support that meets our customers' needs globally at scale. Paying users receive additional customer support features and the number of our paying users has grown significantly, which will put additional pressure on our support organization. For example, the number of paying users has grown from 8.8 million as of December 31, 2016, to 14.3 million as of December 31, 2019. If we are unable to provide efficient customer support globally at scale, our ability to grow our operations may be harmed and we may need to hire additional support personnel, which could harm our results of operations. Our new user signups are highly dependent on our business reputation and on positive recommendations from our existing users. Any failure to maintain high-quality customer support, or a market perception that we do not maintain high-quality customer support, could harm our reputation, business, results of operations, and financial condition.

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

Our quarterly results of operations, including our revenue, gross margin, operating margin, profitability, cash flow from operations, and deferred revenue, may vary significantly in the future and period-to-period comparisons of our results of operations may not be meaningful. Accordingly, the results of any one quarter should not be relied upon as an indication of future performance. Our quarterly results of operations 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. Fluctuation in quarterly results may negatively impact the value of our securities. Factors that may cause fluctuations in our quarterly results of operations include, without limitation, those listed below:

- our ability to retain and upgrade paying users;
- our ability to attract new paying users and convert registered to paying users;
- the timing of expenses and recognition of revenue;
- the amount and timing of operating expenses related to the maintenance and expansion of our business, operations, and infrastructure, as well as entry into operating and finance leases;
- the timing of expenses related to acquisitions;
- any large indemnification payments to our users or other third parties;
- changes in our pricing policies or those of our competitors;
- the timing and success of new product feature and service introductions by us or our competitors;
- network outages or actual or perceived security breaches;
- changes in the competitive dynamics of our industry, including consolidation among competitors;
- changes in laws and regulations that impact our business; and
- general economic and market conditions.

Our results of operations may not immediately reflect downturns or upturns in sales because we recognize revenue from our users over the term of their subscriptions with us.

We recognize revenue from subscriptions to our platform over the terms of these subscriptions. Our subscription arrangements generally have monthly or annual contractual terms, and we also have a small percentage of multi-year contractual terms. Amounts that have been billed are initially recorded as deferred revenue until the revenue is recognized. As a result, a large portion of our revenue for each quarter reflects deferred revenue from subscriptions entered into during previous quarters, and downturns or upturns in subscription sales, or renewals and potential changes in our pricing policies may not be reflected in our results of operations until later periods. Our subscription model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as subscription revenue from new users is recognized over the applicable subscription term. By contrast, a significant majority of our costs are expensed as incurred, which occurs as soon as a user starts using our platform. As a result, an increase in users could result in our recognition of more costs than revenue in the earlier portion of the subscription term. We may not attain sufficient revenue to maintain positive cash flow from operations or achieve profitability in any given period.

We depend on our key personnel and other highly qualified personnel, and if we fail to attract, integrate, and retain our personnel, and maintain our unique corporate culture, our business could be harmed.

We depend on the continued service and performance of our key personnel. In particular, Andrew W. Houston, our President and Chief Executive Officer and one of our co-founders, is critical to our vision, strategic direction, culture, and offerings. From time to time, there may be changes in our management team resulting from the hiring or departure of our executives. For example, Bharat Mediratta recently has joined us as our Chief Technology Officer and Senior Vice President, Platform, Timothy Young joined us as our Senior Vice President and General Manager, Core Dropbox and Olivia Nottebohm joined us as our Chief Operating Officer. In 2019, Quentin Clark stepped down as our Chief Technology Officer and Yamini Rangan stepped down as our Chief Customer Officer. In addition to Mr. Mediratta, Mr. Young, and Ms. Nottebohm, other key personnel have recently joined us and are still being integrated into our company. While we seek to manage these transitions carefully, such changes may result in a loss of institutional knowledge and cause disruptions to our business. Our failure to successfully integrate these key personnel into our business could adversely affect our business.

All of our officers and key personnel are at-will employees. In addition, many of our key technologies and systems are custom-made for our business by our key personnel. The loss of key personnel, including key members of our management team, as well as certain of our key marketing, sales, product development, or technology personnel, could disrupt our operations and have an adverse effect on our ability to grow our business.

To execute our growth plan, we must attract and retain highly qualified personnel. Competition for these employees is intense, particularly in the San Francisco Bay Area where our headquarters is located, and we may not be successful in attracting and retaining qualified personnel. We have from time to time in the past experienced, and we expect to continue to experience, difficulty in hiring and retaining highly skilled employees with appropriate qualifications. Our recent hires and planned hires may not become as productive as we expect, and we may be unable to hire, integrate, or retain sufficient numbers of qualified individuals. Many of the companies with which we compete for experienced personnel have greater resources than we have. In addition, in making employment decisions, particularly in the internet and high-technology industries, job candidates often consider the value of the equity they are to receive in connection with their employment. Employees may be more likely to leave us if the shares they own or the shares underlying their equity incentive awards have significantly appreciated or significantly reduced in value. Many of our employees may receive significant proceeds from sales of our equity in the public markets, which may reduce their motivation to continue to work for us. If we fail to attract new personnel, or fail to retain and motivate our current personnel, our business and growth prospects could be harmed.

Additionally, if we do not maintain and continue to develop our corporate culture as we grow and evolve, it could harm our ability to foster the innovation, creativity, and teamwork we believe that we need to support our growth. Additions of executive-level management and large numbers of employees could significantly and adversely impact our culture.

Our business depends on a strong brand, and if we are not able to maintain and enhance our brand, our ability to expand our base of users will be impaired and our business, results of operations, and financial condition will be harmed.

We believe that our brand identity and awareness have contributed to our success and have helped fuel our efficient go-to-market strategy. We also believe that maintaining and enhancing the Dropbox brand is critical to expanding our base of users. We anticipate that, as our market becomes increasingly competitive, maintaining and enhancing our brand may become increasingly difficult and expensive. Any unfavorable publicity or consumer perception of our platform or the providers of content collaboration solutions generally could adversely affect our reputation and our ability to attract and retain users. Additionally, if we fail to promote and maintain the Dropbox brand, our business, results of operations, and financial condition will be materially and adversely affected.

We are continuing to expand our operations outside the United States, where we may be subject to increased business and economic risks that could impact our results of operations.

We have paying users across 180 countries and approximately half of our revenue in the year ended December 31, 2019 was generated from paying users outside the United States. We expect to continue to expand our international operations, which may include opening offices in new jurisdictions and providing our platform in additional languages. Any new markets or countries into which we attempt to sell subscriptions to our platform may not be receptive. For example, we may not be able to expand further in some markets if we are not able to satisfy certain government- and industry-specific requirements. In addition, our ability to manage our business and conduct our operations internationally requires considerable management attention and resources and is subject to the particular challenges of supporting a rapidly growing business in an environment of multiple languages, cultures, customs, legal and regulatory systems, alternative dispute systems, and commercial markets. International expansion has required, and will continue to require, investment of significant funds and other resources. Operating internationally subjects us to new risks and may increase risks that we currently face, including risks associated with:

- compliance with applicable international laws and regulations, including laws and regulations with respect to privacy, data protection, consumer protection, and unsolicited email, and the risk of penalties to our users and individual members of management or employees if our practices are deemed to be out of compliance;
- recruiting and retaining talented and capable employees outside the United States, and maintaining our company culture across all of our offices;
- providing our platform and operating our business across a significant distance, in different languages and among different cultures, including the potential need to modify our platform and features to ensure that they are culturally appropriate and relevant in different countries;
- management of an employee base in jurisdictions that may not give us the same employment and retention flexibility as does the United States;
- operating in jurisdictions that do not protect intellectual property rights to the same extent as does the United States;
- compliance by us and our business partners with anti-corruption laws, import and export control laws, tariffs, trade barriers, economic sanctions, and other regulatory limitations on our ability to provide our platform in certain international markets;
- foreign exchange controls that might require significant lead time in setting up operations in certain geographic territories and might prevent us from repatriating cash earned outside the United States;
- political and economic instability;
- changes in diplomatic and trade relationships, including the imposition of new trade restrictions, trade protection measures, import or export requirements, trade embargoes and other trade barriers;
- double taxation of our international earnings and potentially adverse tax consequences due to changes in the income and other tax laws of the United States or the international jurisdictions in which we operate;
- higher costs of doing business internationally, including increased accounting, travel, infrastructure, and legal compliance costs; and
- the impact of natural disasters and public health epidemics on employees, travel and the global economy, such as the coronavirus currently impacting China,

Compliance with laws and regulations applicable to our global operations substantially increases our cost of doing business in international jurisdictions. We may be unable to keep current with changes in laws and regulations as they change. Although we have implemented policies and procedures designed to support compliance with these laws and regulations, there can be no assurance that we will always maintain compliance or that all of our employees, contractors, partners, and agents will comply. Any violations could result in regulatory investigations and enforcement actions, fines, civil and criminal penalties, damages, injunctions, or reputational harm. If we are unable comply with these laws and regulations or manage the complexity of our global operations successfully, our business, results of operations, and financial condition could be adversely affected.

Our results of operations, which are reported in U.S. dollars, could be adversely affected if currency exchange rates fluctuate substantially in the future.

We conduct our business across 180 countries around the world. As we continue to expand our international operations, we will become more exposed to the effects of fluctuations in currency exchange rates. This exposure is the result of selling in multiple currencies and operating in foreign countries where the functional currency is the local currency. In 2019, 29% of our sales were denominated in currencies other than U.S. dollars. Our expenses, by contrast, are primarily denominated in U.S. dollars. As a result, any increase in the value of the U.S. dollar against these foreign currencies could cause our revenue to decline relative to our costs, thereby decreasing our gross margins. Our results of operations are primarily subject to fluctuations in the Euro and British pound sterling. Because we conduct business in currencies other than U.S. dollars, but report our results of operations in U.S. dollars, we also face remeasurement exposure to fluctuations in currency exchange rates, which could hinder our ability to predict our future results and earnings and could materially impact our results of operations. We do not currently maintain a program to hedge exposures to non-U.S. dollar currencies.

We depend on our infrastructure and third-party datacenters, and any disruption in the operation of these facilities or failure to renew the services could adversely affect our business.

We host our services and serve all of our users using a combination of our own custom-built infrastructure that we lease and operate in co-location facilities and third-party datacenter services such as Amazon Web Services. While we typically control and have access to the servers we operate in co-location facilities and the components of our custom-built infrastructure that are located in those co-location facilities, we control neither the operation of these facilities nor our third-party service providers. Furthermore, we have no physical access or control over the services provided by Amazon Web Services.

Datacenter leases and agreements with the providers of datacenter services expire at various times. The owners of these datacenters and providers of these datacenter services may have no obligation to renew their agreements with us on commercially reasonable terms, or at all. Problems faced by datacenters, with our third-party datacenter service providers, with the telecommunications network providers with whom we or they contract, or with the systems by which our telecommunications providers allocate capacity among their users, including us, could adversely affect the experience of our users. Our third-party datacenter operators could decide to close their facilities or cease providing services without adequate notice. In addition, any financial difficulties, such as bankruptcy, faced by our third-party datacenters operators or any of the service providers with whom we or they contract may have negative effects on our business, the nature and extent of which are difficult to predict.

If the datacenters and service providers that we use are unable to keep up with our growing needs for capacity, or if we are unable to renew our agreements with datacenters, and service providers on commercially reasonable terms, we may be required to transfer servers or content to new datacenters or engage new service providers, and we may incur significant costs, and possible service interruption in connection with doing so. Any changes in third-party service levels at datacenters or any real or perceived errors, defects, disruptions, or other performance problems with our platform could harm our reputation and may result in damage to, or loss or compromise of, our users' content. Interruptions in our platform might, among other things, reduce our revenue, cause us to issue refunds to users, subject us to potential liability, harm our reputation, or decrease our renewal rates.

We have relationships with third parties to provide, develop, and create applications that integrate with our platform, and our business could be harmed if we are not able to continue these relationships.

We use software and services licensed and procured from third parties to develop and offer our platform. We may need to obtain future licenses and services from third parties to use intellectual property and technology associated with the development of our platform, which might not be available to us on acceptable terms, or at all. Any loss of the right to use any software or services required for the development and maintenance of our platform could result in delays in the provision of our platform until equivalent technology is either developed by us, or, if available from others, is identified, obtained, and integrated, which could harm our platform and business. Any errors or defects in third-party software or services could result in errors or a failure of our platform, which could harm our business, results of operations, and financial condition.

We also depend on our ecosystem of developers to create applications that will integrate with our platform. As of December 31, 2019, Dropbox was receiving over 50 billion API calls per month, and more than 750,000 developers had registered and built applications on our platform. Our reliance on this ecosystem of developers creates certain business risks relating to the quality of the applications built using our APIs, service interruptions of our platform from these applications, lack of service support for these applications, and possession of intellectual property rights associated with these applications. We may not have the ability to control or prevent these risks. As a result, issues relating to these applications could adversely affect our business, brand, and reputation.

We are subject to a variety of U.S. and international laws that could subject us to claims, increase the cost of operations, or otherwise harm our business due to changes in the laws, changes in the interpretations of the laws, greater enforcement of the laws, or investigations into compliance with the laws.

We are subject to compliance with various laws, including those covering copyright, indecent content, child protection, consumer protection, and similar matters. There have been instances where improper or illegal content has been stored on our platform without our knowledge. As a service provider, we do not regularly monitor our platform to evaluate the legality of content stored on it. While to date we have not been subject to material legal or administrative actions as result of this content, the laws in this area are currently in a state of flux and vary widely between jurisdictions. Accordingly, it may be possible that in the future we and our competitors may be subject to legal actions, along with the users who uploaded such content. In addition, regardless of any legal liability we may face, our reputation could be harmed should there be an incident generating extensive negative publicity about the content stored on our platform. Such publicity could harm our business and results of operations.

We are also subject to consumer protection laws that may impact our sales and marketing efforts, including laws related to subscriptions, billing, and auto-renewal. These laws, as well as any changes in these laws, could adversely affect our self-serve model and make it more difficult for us to retain and upgrade paying users and attract new ones. Additionally, we have in the past, are currently, and may from time to time in the future become the subject of inquiries and other actions by regulatory authorities as a result of our business practices, including our subscription, billing, and auto-renewal policies. Consumer protection laws may be interpreted or applied by regulatory authorities in a manner that could require us to make changes to our operations or incur fines, penalties or settlement expenses, which may result in harm to our business, results of operations, and brand.

Our platform depends on the ability of our users to access the internet and our platform has been blocked or restricted in some countries for various reasons. For example, our platform is blocked in the People's Republic of China. If we fail to anticipate developments in the law, or fail for any reason to comply with relevant law, our platform could be further blocked or restricted and we could be exposed to significant liability that could harm our business.

We are also subject to various U.S. and international anti-corruption laws, such as the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and Irish Criminal Justice (Corruption Offences) Act 2018, as well as other similar anti-bribery and anti-kickback laws and regulations. These laws and regulations generally prohibit companies and their employees and intermediaries from authorizing, offering, or providing improper payments or benefits to officials and other recipients for improper purposes. Although we take precautions to prevent violations of these laws, our exposure for violating these laws increases as we continue to expand our international presence and any failure to comply with such laws could harm our reputation and our business.

We are subject to export and import control laws and regulations that could impair our ability to compete in international markets or subject us to liability if we violate such laws and regulations.

We are subject to U.S. export controls and sanctions regulations that prohibit the shipment or provision of certain products and services to certain countries, governments, and persons targeted by U.S. sanctions. While we take precautions to prevent our products and services from being exported in violation of these laws, including implementing IP address blocking, we cannot guarantee that the precautions we take will prevent violations of export control and sanctions laws. For example, in 2011, we provided certain downloadable portions of our software to international users that, prior to export, required either a one-time product review or application for an encryption registration number in lieu of such product review. These exports were likely made in violation of U.S. export control and sanction laws. In March 2011, we filed a Final Voluntary Self Disclosure with the U.S. Department of Commerce's Bureau of Industry and Security, or BIS, concerning these potential violations. In June 2012, BIS notified us that it had completed its review of these matters and closed its review with the issuance of a Warning Letter. No monetary penalties were assessed against us by BIS with respect to the 2011 filing. In addition, in 2017, we discovered that our platform has been accessed by certain users in apparent violation of United States sanctions regulations. We filed an Initial Voluntary Self Disclosure in October 2017 with the Office of Foreign Assets Control, or OFAC, and a Final Voluntary Self Disclosure with OFAC in February 2018. In October 2018, OFAC notified us that it had completed its review of these matters and closed its review with the issuance of a Cautionary Letter. No monetary penalties were assessed with respect to the 2018 filing. If in the future we are found to be in violation of U.S. sanctions or export control laws, it could result in substantial fines and penalties for us and for the individuals working for us.

In addition, various countries regulate the import and export of certain encryption and other technology, including import and export permitting and licensing requirements, and have enacted laws that could limit our ability to distribute our products or could limit our users' ability to access our platform in those countries. Changes in our platform or client-side software, or future changes in export and import regulations may prevent our users with international operations from deploying our platform globally or, in some cases, prevent the export or import of our platform to certain countries, governments, or persons altogether. Any change in export or import regulations, economic sanctions or related legislation, or change in the countries, governments, persons or technologies targeted by such regulations, could result in decreased use of our platform by, or in our decreased ability to export or sell subscriptions to our platform to, existing or potential users with international operations. Any decreased use of our platform or limitation on our ability to export or sell our products would likely adversely affect our business, results of operations, and financial results.

Our actual or perceived failure to comply with privacy, data protection, and information security laws, regulations, and obligations could harm our business.

We receive, store, process, and use personal information and other user content. There are numerous federal, state, local, and international laws and regulations regarding privacy, data protection, information security, and the storing, sharing, use, processing, transfer, disclosure, and protection of personal information and other content, the scope of which are changing, subject to differing interpretations, and may be inconsistent among countries, or conflict with other rules. We also post privacy policies and are subject to contractual obligations to third parties related to privacy, data protection, and information security. We strive to comply with applicable laws, regulations, policies, and other legal obligations relating to privacy, data protection, and information security to the extent possible. However, the regulatory framework for privacy and data protection worldwide is, and is likely to remain, uncertain for the foreseeable future, and it is possible that these or other actual or alleged obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices.

We also expect that there will continue to be new laws, regulations, and industry standards concerning privacy, data protection, and information security proposed and enacted in various jurisdictions. For example, in May 2018, the General Data Protection Regulation, or GDPR, went into effect in the European Union, or EU. The GDPR imposed more stringent data protection requirements and provides greater penalties for noncompliance than previous data protection laws. Further, following a referendum in June 2016 in which voters in the United Kingdom approved an exit from the EU ("Brexit"), the United Kingdom government has initiated a process to leave the EU. The United Kingdom withdrew from the EU pursuant to Brexit on January 31, 2020, subject to a transition period that is set to end on December 31, 2020. Brexit has created uncertainty with regard to the regulation of data protection in the United Kingdom. In particular, although the United Kingdom has enacted a Data Protection Act designed to be consistent with the GDPR, it remains unclear how data transfers to and from the United Kingdom will be regulated. Additionally, although we have self-certified under the U.S.-EU and U.S.-Swiss Privacy Shield Frameworks with regard to our transfer of certain personal data from the EU and Switzerland to the United States, some regulatory uncertainty remains surrounding the future of data transfers from the EU and Switzerland to the United States, and we are closely monitoring regulatory developments in this area. The California Consumer Privacy Act of 2018, which affords California consumers expanded privacy protections went into effect on January 1, 2020. However, the regulations governing certain aspects of the California Consumer Privacy Act and its enforcement have not yet been finalized. The effects of this legislation remain potentially far-reaching, and depending on final regulatory guidance and other related developments, may require us to modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply. Similarly, a number of legislative proposals in the European Union, the United States, at both the federal and state level, as well as other jurisdictions could impose new obligations in areas affecting our business. In addition, some countries are considering or have passed legislation implementing data protection requirements or requiring local storage and processing of data, or similar requirements, that could increase the cost and complexity of delivering our services.

With laws and regulations such as the GDPR in the EU and the California Consumer Privacy Act in the U.S. imposing new and relatively burdensome obligations, and with substantial uncertainty over the interpretation and application of these and other laws and regulations, we may face challenges in addressing their requirements and making necessary changes to our policies and practices, and may incur significant costs and expenses in an effort to do so. Any failure or perceived failure by us to comply with our privacy policies, our privacy-related obligations to users or other third parties, or any of our other legal obligations relating to privacy, data protection, or information security may result in governmental investigations or enforcement actions, litigation, claims, or public statements against us by consumer advocacy groups or others, and could result in significant liability or cause our users to lose trust in us, which could have an adverse effect on our reputation and business. Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations, and policies that are applicable to the businesses of our users may limit the adoption and use of, and reduce the overall demand for, our services.

Additionally, if third parties we work with, such as vendors or developers, violate applicable laws or regulations or our policies, such violations may also put our users' content at risk and could in turn have an adverse effect on our business. Any significant change to applicable laws, regulations, or industry practices regarding the collection, use, retention, security, or disclosure of our users' content, or regarding the manner in which the express or implied consent of users for the collection, use, retention, or disclosure of such content is obtained, could increase our costs and require us to modify our services and features, possibly in a material manner, which we may be unable to complete, and may limit our ability to store and process user data or develop new services and features.

Our business could be adversely impacted by changes in internet access for our users or laws specifically governing the internet.

Our platform depends on the quality of our users' access to the internet. Certain features of our platform require significant bandwidth and fidelity to work effectively. Internet access is frequently provided by companies that have significant market power that could take actions that degrade, disrupt or increase the cost of user access to our platform, which would negatively impact our business. We could incur greater operating expenses and our user acquisition and retention could be negatively impacted if network operators:

- implement usage-based pricing;
- discount pricing for competitive products;
- otherwise materially change their pricing rates or schemes;
- charge us to deliver our traffic at certain levels or at all;
- throttle traffic based on its source or type;
- implement bandwidth caps or other usage restrictions; or
- otherwise try to monetize or control access to their networks.

On June 11, 2018, the repeal of the Federal Communications Commission's, or FCC, "net neutrality" rules took effect and returned to a "light-touch" regulatory framework. The prior rules were designed to ensure that all online content is treated the same by internet service providers and other companies that provide broadband services. Additionally, California and a number of other states are considering or have enacted legislation or executive actions that would regulate the conduct of broadband providers. We cannot predict whether the FCC order or state initiatives will be modified, overturned, or vacated by legal action of the court, federal legislation, or the FCC. With the repeal of net neutrality rules in effect, we could incur greater operating expenses, which could harm our results of operations. As the internet continues to experience growth in the number of users, frequency of use, and amount of data transmitted, the internet infrastructure that we and our users rely on may be unable to support the demands placed upon it. The failure of the internet infrastructure that we or our users rely on, even for a short period of time, could undermine our operations and harm our results of operations.

In addition, there are various laws and regulations that could impede the growth of the internet or other online services, and new laws and regulations may be adopted in the future. These laws and regulations could, in addition to limiting internet neutrality, involve taxation, tariffs, privacy, data protection, content, copyrights, distribution, electronic contracts and other communications, consumer protection, and the characteristics and quality of services, any of which could decrease the demand for, or the usage of, our platform. Legislators and regulators may make legal and regulatory changes, or interpret and apply existing laws, in ways that require us to incur substantial costs, expose us to unanticipated civil or criminal liability, or cause us to change our business practices. These changes or increased costs could materially harm our business, results of operations, and financial condition.

We are currently, and may be in the future, party to intellectual property rights claims and other litigation matters and, if resolved adversely, they could have a significant impact on our business, results of operations, or financial condition.

We own a large number of patents, copyrights, trademarks, domain names, and trade secrets and, from time to time, are subject to litigation based on allegations of infringement, misappropriation or other violations of intellectual property, or other rights. As we face increasing competition and gain an increasingly high profile, the possibility of intellectual property rights claims, commercial claims, and other assertions against us grows. We have in the past been, are currently, and may from time to time in the future become, a party to litigation and disputes related to our intellectual property, our business practices, transactions involving our securities and our platform. For example, we are currently subject to a number of putative class action lawsuits in state and federal court alleging federal securities law violations in connection with our IPO. The costs of supporting litigation and dispute resolution proceedings are considerable, and there can be no assurances that a favorable outcome will be obtained. Our business, results of operations, and financial condition could be materially and adversely affected by such costs and any unfavorable outcomes in current or future litigation.

We may need to settle litigation and disputes on terms that are unfavorable to us, or we may be subject to an unfavorable judgment that may not be reversible upon appeal. The terms of any settlement or judgment may require us to cease some or all of our operations or pay substantial amounts to the other party. With respect to any intellectual property rights claim, we may have to seek a license to continue practices found to be in violation of third-party rights, which may not be available on reasonable terms and may significantly increase our operating expenses. A license to continue such practices may not be available to us at all, and we may be required to develop alternative non-infringing technology or practices or discontinue the practices. The development of alternative, non-infringing technology or practices could require significant effort and expense.

Our failure to protect our intellectual property rights and proprietary information could diminish our brand and other intangible assets.

We rely and expect to continue to rely on a combination of patents, patent licenses, trade secrets, domain name protections, trademarks, and copyright laws, as well as confidentiality and license agreements with our employees, consultants, and third parties, to protect our intellectual property and proprietary rights. In the United States and abroad, we have over 1,000 issued patents and more than 500 pending patent applications. However, third parties may knowingly or unknowingly infringe our proprietary rights, third parties may challenge our proprietary rights, pending and future patent, trademark, and copyright applications may not be approved, and we may not be able to prevent infringement without incurring substantial expense. We have also devoted substantial resources to the development of our proprietary technologies and related processes. In order to protect our proprietary technologies and processes, we rely in part on trade secret laws and confidentiality agreements with our employees, consultants, and third parties. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover our trade secrets, in which case we would not be able to assert trade secret rights, or develop similar technologies and processes. Further, laws in certain jurisdictions may afford little or no trade secret protection, and any changes in, or unexpected interpretations of, the intellectual property laws in any country in which we operate may compromise our ability to enforce our intellectual property rights. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights. If the protection of our proprietary rights is inadequate to prevent use or appropriation by third parties, the value of our platform, brand, and other intangible assets may be diminished and competitors may be able to more effectively replicate our platform and its features. Any of these events could materially and adversely affect our business, results of operations, and financial condition.

Our use of open source software could negatively affect our ability to offer and sell subscriptions to our platform and subject us to possible litigation.

A portion of the technologies we use incorporates open source software, and we may incorporate open source software in the future. Open source software is generally licensed by its authors or other third parties under open source licenses. These licenses may subject us to certain unfavorable conditions, including requirements that we offer our platform that incorporates the open source software for no cost, that we make publicly available source code for modifications or derivative works we create based upon, incorporating or using the open source software, and/or that we license such modifications or derivative works under the terms of the particular open source license. Additionally, if a third-party software provider has incorporated open source software into software that we license from such provider, we could be required to disclose any of our source code that incorporates or is a modification of our licensed software. If an author or other third party that distributes open source software that we use or license were to allege that we had not complied with the conditions of the applicable license, we could be required to incur significant legal expenses defending against those allegations and could be subject to significant damages, enjoined from offering or selling our solutions that contained the open source software, and required to comply with the foregoing conditions. Any of the foregoing could disrupt and harm our business, results of operations, and financial condition.

Our ability to sell subscriptions to our platform could be harmed by real or perceived material defects or errors in our platform.

The software technology underlying our platform is inherently complex and may contain material defects or errors, particularly when first introduced or when new features or capabilities are released. We have from time to time found defects or errors in our platform, and new defects or errors in our existing platform or new software may be detected in the future by us or our users. There can be no assurance that our existing platform and new software will not contain defects. Any real or perceived errors, failures, vulnerabilities, or bugs in our platform could result in negative publicity or lead to data security, access, retention, or other performance issues, all of which could harm our business. The costs incurred in correcting such defects or errors may be substantial and could harm our results of operations and financial condition. Moreover, the harm to our reputation and legal liability related to such defects or errors may be substantial and could harm our business, results of operations, and financial condition.

We also utilize hardware purchased or leased and software and services licensed from third parties on our platform. Any defects in, or unavailability of, our or third-party software, services, or hardware that cause interruptions to the availability of our services, loss of data, or performance issues could, among other things:

- cause a reduction in revenue or delay in market acceptance of our platform;
- require us to issue refunds to our users or expose us to claims for damages;
- cause us to lose existing users and make it more difficult to attract new users;

- divert our development resources or require us to make extensive changes to our platform, which would increase our expenses;
- increase our technical support costs; and
- harm our reputation and brand.

We have acquired, and may in the future acquire, other businesses, and we may also receive offers to be acquired, any of which could require significant management attention, disrupt our business, or dilute stockholder value.

As part of our business strategy, we have acquired, and may in the future acquire, other companies, employee teams, or technologies to complement or expand our products, obtain personnel, or otherwise grow our business. For example, in the first fiscal quarter of 2019 we acquired HelloSign, an e-signature and document workflow platform, to expand our content collaboration capabilities to include additional business critical workflows. The pursuit of acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating, and pursuing suitable acquisitions, whether or not they are consummated.

We have limited experience making acquisitions. We may not be able to find suitable acquisition candidates and we may not be able to complete acquisitions on favorable terms, if at all. If we do complete acquisitions, we may not ultimately strengthen our competitive position or achieve the anticipated benefits from such acquisitions, due to a number of factors, including:

- acquisition-related costs, liabilities, or tax impacts, some of which may be unanticipated;
- difficulty integrating and retaining the personnel, intellectual property, technology infrastructure, and operations of an acquired business;
- ineffective or inadequate, controls, procedures, or policies at an acquired business;
- multiple product lines or services offerings, as a result of our acquisitions, that are offered, priced, and supported differently;
- potential unknown liabilities or risks associated with an acquired business, including those arising from existing contractual obligations or litigation matters;
- inability to maintain relationships with key customers, suppliers, and partners of an acquired business;
- lack of experience in new markets, products or technologies;
- diversion of management's attention from other business concerns; and
- use of resources that are needed in other parts of our business.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill. We review goodwill for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to record impairment charges based this assessment, which could adversely affect our results of operations.

We may not be able to integrate acquired businesses successfully or effectively manage the combined company following an acquisition. If we fail to successfully integrate acquisitions, or the people or technologies associated with those acquisitions, the results of operations of the combined company could be adversely affected. Any integration process will require significant time, resources, and attention from management, and disrupt the ordinary functioning of our business, and we may not be able to manage the process successfully, which could adversely affect our business, results of operations, and financial condition.

Any acquisition we complete could be viewed negatively by users, developers, partners, or investors, and could have adverse effects on our existing business relationships. In addition, we may not successfully evaluate or utilize acquired technology or accurately forecast the financial impact of an acquisition transaction, including accounting charges.

We may have to pay a substantial portion of our available cash, incur debt, or issue equity securities to pay for any such acquisitions, each of which could affect our financial condition or the value of our capital stock. The sale of equity to finance any such acquisitions could result in dilution to our stockholders. If we incur more debt, it would result in increased fixed obligations and could also subject us to covenants or other restrictions that would impede our ability to flexibly operate our business.

Our business may be significantly impacted by a change in the economy, including any resulting effect on consumer or business spending.

Our business may be affected by changes in the economy generally, including any resulting effect on spending by our business and consumer users. Some of our users may view a subscription to our platform as a discretionary purchase, and our paying users may reduce their discretionary spending on our platform during an economic downturn. If an economic downturn were to occur, we may experience such a reduction in the future, especially in the event of a prolonged recessionary period. As a result, our business, results of operations, and financial condition may be significantly affected by changes in the economy generally.

Our business could be disrupted by catastrophic events.

Occurrence of any catastrophic event, including 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. Further, outbreaks of pandemic diseases, such as coronavirus, or the fear of such events, could provoke responses, including government-imposed travel restrictions, grounding of flights, and shutdown of workplaces. In particular, our U.S. headquarters and some of the datacenters we utilize are located in the San Francisco Bay Area, a region known for seismic activity, and 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, acts of terrorism could cause disruptions to the internet or the economy as a whole. Even with our disaster recovery arrangements, our service could be interrupted. If our systems were to fail or be negatively impacted as a result of a natural disaster or other event, our ability to deliver products to our users would be impaired or we could lose critical data. If we are unable to develop adequate plans to ensure that our business functions continue to operate during and after a disaster, and successfully execute on those plans in the event of a disaster or emergency, our business, results of operations, financial condition, and reputation would be harmed.

We may have exposure to greater than anticipated tax liabilities, which could adversely impact our results of operations.

While to date we have not incurred significant income taxes in operating our business, we are subject to income taxes in the United States and various jurisdictions outside of the United States. Our effective tax rate could fluctuate due to changes in the mix of earnings and losses in countries with differing statutory tax rates. Our tax expense could also be impacted by changes in non-deductible expenses, changes in excess tax benefits of stock-based compensation, changes in the valuation of deferred tax assets and liabilities and our ability to utilize them, the applicability of withholding taxes and effects from acquisitions.

Our tax provision could also be impacted by changes in accounting principles, changes in U.S. federal, state, or international tax laws applicable to corporate multinationals such as the recent legislation enacted in the United States, other fundamental law changes currently being considered by many countries, and changes in taxing jurisdictions' administrative interpretations, decisions, policies, and positions. Additionally, the Organization for Economic Co-Operation and Development has released guidance covering various topics, including digital economy, transfer pricing, country-by-country reporting, and definitional changes to permanent establishment that could ultimately impact our tax liabilities.

We are subject to review and audit by U.S. federal, state, local, and foreign tax authorities. Such tax authorities may disagree with tax positions we take and if any such tax authority were to successfully challenge any such position, our financial results and operations could be materially and adversely affected. We may also be subject to additional tax liabilities due to changes in non-income based taxes resulting from changes in federal, state, or international tax laws, changes in taxing jurisdictions' administrative interpretations, decisions, policies, and positions, results of tax examinations, settlements or judicial decisions, changes in accounting principles, changes to the business operations, including acquisitions, as well as the evaluation of new information that results in a change to a tax position taken in a prior period.

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

As of December 31, 2019, we had $916.9 million of federal and $390.8 million of state net operating loss carryforwards available to reduce future taxable income. Of our federal net operating loss carryforwards, $288.9 million will begin to expire in 2032 and $628.0 million will carryforward indefinitely, while state net operating losses begin to expire in 2026. As of December 31, 2019, we also had $221.4 million of foreign net operating loss carryforwards available to reduce future taxable income, which will carryforward indefinitely. In addition, we had $22.9 million of foreign acquired net operating losses, which will carryforward indefinitely. The Company also had $0.7 million of foreign tax credit carryforwards, which will carryforward indefinitely. It is possible that we will not generate taxable income in time to use these net operating loss carryforwards before their expiration or at all. Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, or the Code, if a corporation undergoes an "ownership change," the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change attributes, such as research tax credits, to offset its post-change income may be limited. In general, an "ownership change" will occur if there is a cumulative change in our ownership by "5-percent shareholders" that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws. The Company has determined that it has experienced multiple ownership changes and, as a result, the annual utilization of our net operating loss carryforwards and other pre-change attributes will be subject to limitation. However, we do not expect that the annual limitations will significantly impact our ability to utilize our net operating loss or tax credit carryforwards prior to expiration.

Our operating results may be harmed if we are required to collect sales or other related taxes for our subscription services in jurisdictions where we have not historically done so.

We collect sales and value-added tax as part of our subscription agreements in a number of jurisdictions. One or more states or countries may seek to impose incremental or new sales, use, or other tax collection obligations on us, including for past sales by us or our resellers and other partners. A successful assertion by a state, country, or other jurisdiction that we should have been or should be collecting additional sales, use, or other taxes on our services could, among other things, result in substantial tax liabilities for past sales, create significant administrative burdens for us, discourage users from purchasing our platform, or otherwise harm our business, results of operations, and financial condition.

Our results of operations and financial condition could be materially affected by the enactment of legislation implementing changes in the U.S. or foreign taxation of international business activities or the adoption of other tax reform policies.

On December 22, 2017, the legislation commonly referred to as the Tax Cuts and Jobs Act ("Tax Reform Act") was enacted, which contains significant changes to U.S. tax law, including, but not limited to, a reduction in the corporate tax rate and a transition to a new territorial system of taxation. The primary impact of the new legislation on our provision for income taxes was a reduction of the future tax benefits of our deferred tax assets as a result of the reduction in the corporate tax rate. However, since we have recorded a full valuation allowance against our deferred tax assets, these changes did not have a material impact on our consolidated financial statements. As we expand the scale of our international business activities, any changes in the U.S. or foreign taxation of such activities may increase our worldwide effective tax rate and harm our business, results of operations, and financial condition.

On June 7, 2019, a judicial panel of the Ninth Circuit Court of Appeals issued an opinion in Altera Corp. v. Commissioner that would require related parties in an intercompany cost-sharing arrangement to share expenses related to stock-based compensation. On July 22, 2019, the taxpayer requested an en banc rehearing before the full Ninth Circuit Court of Appeals and the request was denied on November 12, 2019. On February 10, 2020, the taxpayer filed a petition for writ of certiorari to the Supreme Court of the United States. The outcome of the Supreme Court's decision to grant certiorari is uncertain and could impact the amount of net operating loss carryforwards available to us in the future. We will continue to monitor the future developments in this case.

In March 2018, the European Commission introduced proposals addressing taxation of digital businesses operating within the European Union. Some countries have unilaterally moved to introduce their own digital service tax ("DST") to capture tax revenue on digital services more immediately and which is generally a percentage of gross revenue on taxable activities. As a result of the above measures and the increasing focus by government taxing authorities on multinational companies, the tax laws of certain countries in which we do business could change on a prospective or retroactive basis, and any such changes could increase our liabilities for taxes, interest and penalties, lead to higher effective tax rates, and harm our cash flows, results of operations and financial condition.

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.

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and the rules and regulations of the applicable listing standards of the Nasdaq Global Select Market, or Nasdaq. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting, and financial compliance costs, make some activities more difficult, time-consuming and costly, and place significant strain on our personnel, systems, and resources.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are also required to provide an annual management report on the effectiveness of our disclosure controls and procedures over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers. We are also continuing to improve our internal control over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs and significant management oversight. In addition, our independent registered public accounting firm is required to audit the effectiveness of our internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act annually. Testing, or the subsequent testing by our independent registered public accounting firm, may reveal material weaknesses or significant deficiencies. If material weaknesses are identified or we are not able to comply with the requirements of Section 404 in a timely manner, our reported financial results could be materially misstated, we could receive an adverse opinion regarding our internal control over financial reporting from our independent registered public accounting firm, we could be subject to investigations or sanctions by regulatory authorities and we could incur substantial expenses.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Additionally, to the extent we acquire other businesses, the acquired company may not have a sufficiently robust system of internal controls and we may uncover new deficiencies. Weaknesses in our disclosure controls and internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement that could harm our results of operations 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 also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that are required to be included in our periodic reports that will be filed with the SEC. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading 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 Nasdaq.

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

Generally accepted accounting principles in the United States are subject to interpretation by the Financial Accounting Standards Board, or 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 results of operations, and may even affect the reporting of transactions completed before the announcement or effectiveness of a change. It is difficult to predict the impact of future changes to accounting principles or our accounting policies, any of which could negatively affect our results of operations.

We have publicly disclosed market opportunity estimates, growth forecasts, and key metrics, including the key metrics included in this Annual Report on Form 10-K which could prove to be inaccurate, and any real or perceived inaccuracies may harm our reputation and negatively affect our business.

Market opportunity estimates and growth forecasts are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The estimates and forecasts we disclose relating to the size and expected growth of our target market may prove to be inaccurate. Even if the markets in which we compete meet the size estimates and growth we have forecasted, our business could fail to grow at similar rates, if at all. We also rely on assumptions and estimates to calculate certain of our key metrics, such as paying users, average revenue per paying user, and free cash flow. We regularly review and may adjust our processes for calculating our key metrics to improve their accuracy. Our key metrics may differ from estimates published by third parties or from similarly titled metrics of our competitors due to differences in methodology. We have found that aggregate user activity metrics are not leading indicators of revenue or conversion. For that reason, we do not comprehensively track user activity across the Dropbox platform for financial planning and forecasting purposes. If investors or analysts do not perceive our metrics to be accurate representations of our business, or if we discover material inaccuracies in our metrics, our reputation, business, results of operations, and financial condition would be harmed.

Our revolving credit facility provides our lenders with a first-priority lien against substantially all of our intellectual property and certain other assets, and contains financial covenants and other restrictions on our actions that may limit our operational flexibility or otherwise adversely affect our results of operations.

We are party to a revolving credit and guarantee agreement, as amended, which contains a number of covenants that limit our ability and our subsidiaries' ability to, among other things, incur additional indebtedness, pay dividends, make redemptions and repurchases of stock, make investments, loans and acquisitions, create liens, engage in transactions with affiliates, merge or consolidate with other companies, or sell substantially all of our assets. We are also required to maintain certain financial covenants, including a maximum consolidated leverage ratio and a minimum liquidity balance. The terms of our revolving credit facility may restrict our current and future operations and could adversely affect our ability to finance our future operations or capital needs or to execute preferred business strategies. In addition, complying with these covenants may make it more difficult for us to successfully execute our business strategy and compete against companies who are not subject to such restrictions.

A failure by us to comply with the covenants or payment requirements specified in our credit agreement, as amended, could result in an event of default under the agreement, which would give the lenders the right to terminate their commitments to provide additional loans under our revolving credit facility and to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be immediately due and payable. In addition, the lenders would have the right to proceed against the collateral we granted to them, which consists of substantially all our intellectual property and certain other assets. If the debt under our revolving credit facility were to be accelerated, we may not have sufficient cash or be able to borrow sufficient funds to refinance the debt or sell sufficient assets to repay the debt, which could immediately materially and adversely affect our business, cash flows, results of operations, and financial condition. Even if we were able to obtain new financing, it may not be on commercially reasonable terms or on terms that are acceptable to us.

Our operations may be interrupted and our business, results of operations, and financial condition could be adversely affected if we default on our leasing or credit obligations.

We finance a significant portion of our expenditures through leasing arrangements, and we may enter into additional similar arrangements in the future. As of December 31, 2019, we had an aggregate of $1,457.9 million of commitments to settle contractual obligations. In particular, we utilize both finance and operating leases to finance some of our equipment, datacenters and offices. In addition, we may draw upon our revolving credit facility to finance our operations or for other corporate purposes. If we default on these leasing or credit obligations, our leasing partners and lenders may, among other things:

- require repayment of any outstanding lease obligations;
- terminate our leasing arrangements;
- terminate our access to the leased datacenters we utilize;
- stop delivery of ordered equipment;
- sell or require us to return our leased equipment;
- require repayment of any outstanding amounts drawn on our revolving credit facility;
- terminate our revolving credit facility; or
- require us to pay significant fees, penalties, or damages.

If some or all of these events were to occur, our operations may be interrupted and our ability to fund our operations or obligations, as well as our business, results of operations, and financial condition, could be adversely affected.

We may need additional capital, and we cannot be certain that additional financing will be available on favorable terms, or at all.

Historically, we have funded our operations and capital expenditures primarily through equity issuances, cash generated from our operations, and debt financing for capital purchases. Although we currently anticipate that our existing cash, cash equivalents and short-term investments, amounts available under our existing credit facilities, and cash flow from operations will be sufficient to meet our cash needs for the foreseeable future, we may require additional financing. We evaluate financing opportunities from time to time, and our ability to obtain financing will depend, among other things, on our development efforts, business plans, operating performance, and condition of the capital markets at the time we seek financing. We cannot assure you 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 or 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 stockholders may experience dilution.

Risks Related to Ownership of Our Class A Common Stock

The trading price of our Class A common stock may be volatile, and you could lose all or part of your investment.

The trading price of our Class A common stock may be volatile and could be subject to fluctuations in response to various factors, some of which are beyond our control. Factors that could cause fluctuations in the trading 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 trading 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 of us, changes in financial estimates by securities analysts who follow our company, 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, features, 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 results of operations or fluctuations in our results of operations;
- actual or anticipated changes in our key metrics;
- actual or anticipated developments in our business, our competitors' businesses or the competitive landscape generally;
- actual or perceived breaches of, or failures related to, privacy, data protection or data security;
- 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, products, services, or technologies by us or our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations, or principles;
- any significant change in our management; and
- general economic conditions and slow or negative growth of our markets.

In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. For example, we are currently subject to a number of putative class action lawsuits in state and federal court alleging federal securities law violations in connection with our IPO. This current litigation, and any securities litigation that may be instituted against us in the future, could result in substantial costs and a diversion of our management's attention and resources.

The multi-class structure of our common stock has the effect of concentrating voting control with those stockholders who held our capital stock prior to the completion of our IPO, and it may depress the trading price of our Class A common stock.

Our Class A common stock has one vote per share, our Class B common stock has ten votes per share, and our Class C common stock has no voting rights, except as otherwise required by law. As of December 31, 2019, our directors, executive officers and holders of more than 5% of our common stock, and their respective affiliates, held in the aggregate 85.3% of the voting power of our capital stock, with our Co-Founders holding approximately 60.8% of the voting power of our capital stock. We are including the Co-Founder Grants in this calculation since they are legally issued and outstanding shares of our Class A common stock and our co-founders are able to vote these shares prior to their vesting. Because of the ten-to-one voting ratio between our Class B and Class A common stock, the holders of our Class B common stock collectively will continue to control a majority of the combined voting power of our common stock and therefore be able to control all matters submitted to our stockholders for approval so long as the shares of Class B common stock represent at least 9.1% of all outstanding shares of our Class A and Class B common stock. This concentrated control will limit or preclude other stockholders' ability to influence corporate matters for the foreseeable future, including the election of directors, amendments of our organizational documents and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval. In addition, this may prevent or discourage unsolicited acquisition proposals or offers for our capital stock that other stockholders may feel are in their best interests as one of our stockholders.

Future transfers or sales by holders of Class B common stock will generally result in those shares converting to Class A common stock, except for certain transfers described in our amended and restated certificate of incorporation, including transfers effected for estate planning purposes where sole dispositive power and exclusive voting control with respect to the shares of Class B common stock is retained by the transferring holder and transfers between our co-founders. In addition, each outstanding share of Class B common stock held by a stockholder who is a natural person, or held by the permitted entities or permitted transferees of such stockholder (as described in our amended and restated certificate of incorporation), will convert automatically into one share of Class A common stock upon the death of such natural person. In the event of the death or permanent and total disability of a co-founder, shares of Class B common stock held by such co-founder, his permitted entities or permitted transferees will convert to Class A common stock, provided that the conversion will be deferred for nine months, or up to 18 months if approved by a majority of our independent directors, following his death or permanent and total disability.

Transfers between our co-founders are permitted transfers and will not result in conversion of the shares of Class B common stock that are transferred; however, upon the death or total and permanent disability of the transferring co-founder, the transferred shares would convert to Class A common stock following the deferral period of nine months, or up to 18 months if approved by a majority of our independent directors. The conversion of Class B common stock to Class A common stock will have the effect, over time, of increasing the relative voting power of those individual holders of Class B common stock who retain their shares in the long term.

In addition, because our Class C common stock carries no voting rights (except as otherwise required by law), if we issue Class C common stock in the future, the holders of Class B common stock may be able to elect all of our directors and to determine the outcome of most matters submitted to a vote of our stockholders for a longer period of time than would be the case if we issued Class A common stock rather than Class C common stock in such transactions.

In addition, in July 2017, FTSE Russell and Standard & Poor’s announced that they would cease to allow most newly public companies utilizing dual or multi-class capital structures to be included in their indices. Affected indices include the Russell 2000 and the S&P 500, S&P MidCap 400, and S&P SmallCap 600, which together make up the S&P Composite 1500. Although we have since met the requirements to be included, and are now included, in an FTSE Russell index, our multi-class capital structure still makes us ineligible for inclusion in any of the above listed S&P indices, and as a result, mutual funds, exchange-traded funds, and other investment vehicles that attempt to passively track these indices will not be investing in our stock. It is as of yet unclear what effect, if any, these policies will have on the valuations of publicly traded companies excluded from one or more of these indices, but it is possible that they may depress these valuations compared to those of other similar companies that are included.

Substantial future sales could depress the market price of our Class A common stock.

The market price of our Class A common stock could decline as a result of a large number of sales of shares of such stock, and the perception that these sales could occur may also depress the market price of our Class A common stock.

Under our investors’ rights agreement, certain stockholders can require us to register shares owned by them for public sale in the United States. In addition, we filed a registration statement to register shares reserved for future issuance under our equity compensation plans. As a result, subject to the satisfaction of applicable exercise periods, the shares issued upon exercise of outstanding stock options or upon settlement of outstanding RSU awards are available for immediate resale in the United States in the open market.

Sales of our shares may make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. These sales also could cause the trading price of our Class A common stock to fall and make it more difficult for you to sell shares of our Class A common stock.

Delaware law and provisions in our restated certificate of incorporation and restated bylaws could make a merger, tender offer, or proxy contest difficult, thereby depressing the market price of our Class A common stock.

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay, or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change of control would be beneficial to our existing stockholders. In addition, our restated certificate of incorporation and restated bylaws contain provisions that may make the acquisition of our company more difficult, including the following:

- any transaction that would result in a change in control of our company requires the approval of a majority of our outstanding Class B common stock voting as a separate class;
- our multi-class common stock structure, which provides our holders of Class B common stock with the ability to significantly influence the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the shares of our outstanding Class A common stock, Class B common stock, and Class C common stock;
- when the outstanding shares of Class B common stock represent less than a majority of the total combined voting power of our Class A and Class B common stock, or the Voting Threshold Date, our Board of Directors will be classified into three classes of directors with staggered three-year terms, and directors will only be able to be removed from office for cause;
- until the Class B common stock, as a class, converts to Class A common stock, any amendments to our restated certificate of incorporation will require the approval of two-thirds of the combined vote of our then-outstanding shares of Class A common stock and Class B common stock; and following the conversion of our

Class B common stock, as a class, to Class A common stock, certain amendments to our amended and restated certificate of incorporation will require the approval of two-thirds of our then outstanding voting power;
- our amended and restated bylaws will provide that approval of stockholders holding two-thirds of our outstanding voting power voting as a single class is required for stockholders to amend or adopt any provision of our bylaws;
- after the Voting Threshold Date our stockholders will only be able to take action at a meeting of stockholders, and will not be able to take action by written consent for any matter;
- until the Voting Threshold Date, our stockholders will be able to act by written consent only if the action is first recommended or approved by the Board of Directors;
- vacancies on our Board of Directors will be able to be filled only by our Board of Directors and not by stockholders;
- only our chairman of the Board of Directors, chief executive officer, a majority of Board of Directors or until the Class B common stock, as a class, converts to Class A common stock, a stockholder holding thirty percent of the combined voting power of our Class A and Class B common stock are authorized to call a special meeting of stockholders;
- certain litigation against us may be required to be brought in Delaware;
- our restated certificate of incorporation authorizes undesignated preferred stock, the terms of which may be established and shares of which may be issued, without the approval of the holders of Class A common stock; and
- advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders.

These anti-takeover defenses could discourage, delay, or prevent a transaction involving a change in control of our company. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors of their choosing and to cause us to take other corporate actions they desire, any of which, under certain circumstances, 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.

Our amended and restated bylaws designate a state or federal court located within the State of Delaware as the exclusive forum for substantially all disputes between us and our stockholders, and also provide that the federal district courts will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act, each of which could limit our stockholders' ability to choose the judicial forum for disputes with us or our directors, officers, or employees.

Our amended and restated bylaws provide that, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or other employees to us or our stockholders, (3) any action arising pursuant to any provision of the Delaware General Corporation Law, or the certificate of incorporation or the amended and restated bylaws or (4) any other action asserting a claim that is governed by the internal affairs doctrine shall be the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware), in all cases subject to the court having jurisdiction over indispensable parties named as defendants.

Our amended and restated bylaws also provide that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act, or a Federal Forum Provision.

Any person or entity purchasing or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to this provision. These exclusive-forum provisions may limit a stockholder's ability to bring a claim in a judicial forum of its choosing for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers, and other employees.

As previously disclosed in our Current Report on Form 8-K filed with the SEC on December 19, 2018, in light of the decision issued by the Delaware Court of Chancery in Matthew Sciabacucchi v. Matthew B. Salzberg et al., C.A. No. 2017-0931-JTL (Del. Ch.), finding Federal Forum Provisions are not valid under Delaware law, we do not intend to enforce the Federal Forum Provision in our amended and restated bylaws unless and until such time there is a final determination by the Delaware Supreme Court regarding the validity of such provisions. To the extent the Delaware Supreme Court makes a final determination that provisions such as the Federal Forum Provision are not valid as a matter of Delaware law, our board of directors intends to amend our amended and restated bylaws to remove the Federal Forum Provision.

If we face relevant litigation and are unable to enforce these provisions, we may incur additional costs associated with resolving the dispute in other jurisdictions, which could harm our results of operations.

Our Class A common stock market price and trading volume could decline if securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business.

The trading market for our Class A common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. The analysts' estimates are based upon their own opinions and are often different from our estimates or expectations. If one or more of the analysts who cover us downgrade our Class A common stock or publish inaccurate or unfavorable research about our business, the price of our securities would likely decline. If few securities analysts commence coverage of us, or if one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our securities could decrease, which might cause the price and trading volume of our Class A common stock to decline.

We do not intend to pay dividends for the foreseeable future.

We have never declared nor paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. As a result, stockholders must rely on sales of their Class A common stock after price appreciation as the only way to realize any future gains on their investment. In addition, our revolving credit facility contains restrictions on our ability to pay dividends.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters is located in San Francisco, California, pursuant to operating leases that expire in 2033. We lease additional offices in San Francisco and around the world, including in Austin, Texas; Mountain View, California; Seattle, Washington; New York, New York; Dublin, Ireland; London, United Kingdom; Tel Aviv, Israel; Sydney, Australia; and Tokyo, Japan. We have datacenter co-location facilities in California, Oregon, Texas, and Virginia. We believe that these facilities are generally suitable to meet our needs.

ITEM 3. LEGAL PROCEEDINGS

Legal Proceedings

We are currently involved in, and may in the future be involved in, legal proceedings, claims, and government investigations in the ordinary course of business, including legal proceedings with third parties asserting infringement of their intellectual property rights. For example, in April 2015, Synchronoss Technologies, Inc., ("Synchronoss"), a public company that provides cloud-based products, filed a patent infringement lawsuit against us in the United States District Court for the District of New Jersey, claiming three counts of patent infringement and seeking injunctive relief. The case was subsequently transferred to the United States District Court for the Northern District of California, and at summary judgment, the court resolved all claims in our favor. Synchronoss has appealed; we have vigorously opposed Synchronoss' basis for appeal. We do not currently believe that this matter is likely to have a material adverse impact on our consolidated results of operations, cash flows, or our financial position. However, any litigation is inherently uncertain, and any judgment or injunctive relief entered against us or any adverse settlement could materially and adversely impact our business, results of operations, financial condition, and prospects.

Four putative class action lawsuits alleging violations of the federal securities laws were filed on August 30, 2019, September 5, 2019, September 13, 2019, and October 3, 2019, in the Superior Court of the State of California, San Mateo County, against us, certain of our officers and directors, underwriters of our IPO, and Sequoia Capital XII, L.P. and certain of its affiliated entities (collectively, the “Dropbox Defendants”). Those lawsuits have now been consolidated into a single action, which is pending before Judge Fineman of the Superior Court of the State of California, San Mateo County. On October 4, 2019, two putative class action lawsuits alleging violations of the federal securities laws were filed against the Dropbox Defendants in the U.S. District Court for the Northern District of California. Those lawsuits have been consolidated into a single action, which is pending before Judge Freeman of the U.S. District Court for the Northern District of California, and a lead plaintiff has been appointed. The state and federal lawsuits each make the same or similar allegations of violations of the Securities Act of 1933, as amended, for allegedly making materially false and misleading statements in, or omitting material information from, our IPO registration statement. The plaintiffs seek unspecified monetary damages and other relief. We do not currently believe that this matter is likely to have a material adverse impact on our consolidated results of operations, cash flows, or our financial position. However, any litigation is inherently uncertain, and any judgment or injunctive relief entered against us or any adverse settlement could materially and adversely impact our business, results of operations, financial condition, and prospects.

Future litigation may be necessary, among other things, to defend ourselves or our users by determining the scope, enforceability, and validity of third-party proprietary rights or to establish our proprietary rights. The results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market Information for Class A Common Stock

Our Class A common stock has been listed on the Nasdaq Global Market under the symbol "DBX" since March 23, 2018. Prior to that date, there was no public trading market for our Class A common stock.

Holders of Record

As of February 18, 2020, we had 837 holders of record of our Class A and Class B common stock, and no holders of our Class C common stock. The actual number of stockholders is greater than this number of record holders and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees.

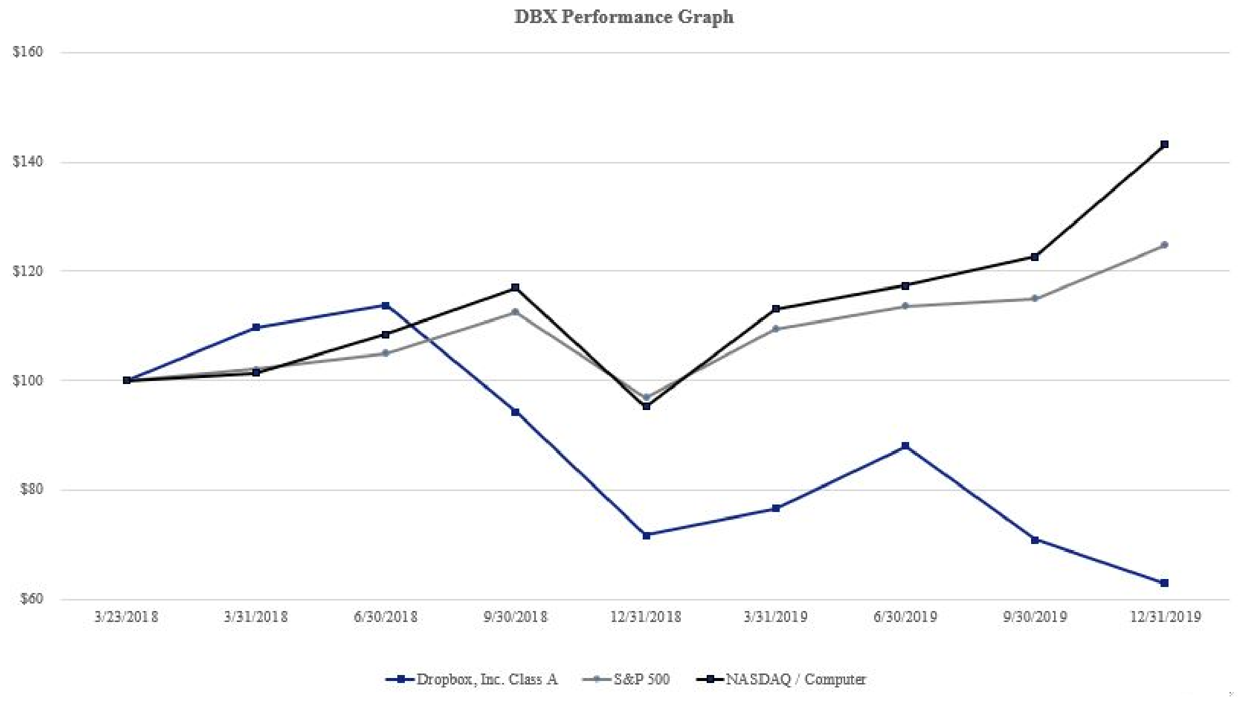
Dividend Policy

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain any future earnings and do not expect to pay any dividends in the foreseeable future. Any future determination to declare cash dividends will be made at the discretion of our Board of Directors, subject to applicable laws, and will depend on a number of factors, including our financial condition, results of operations, capital requirements, contractual restrictions, general business conditions, and other factors that our Board of Directors may deem relevant. In addition, the terms of our revolving credit facility place certain limitations on the amount of cash dividends we can pay, even if no amounts are currently outstanding.

Stock Performance Graph

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

The following graph compares (i) the cumulative total stockholder return on our Class A common stock from March 23, 2018 (the date our Class A common stock commenced trading on the NASDAQ Global Select Market) through December 31, 2019 with (ii) the cumulative total return of the Standard & Poor's 500 Index and the NASDAQ Computer Index over the same period, assuming the investment of $100 in our common stock and in both of the other indices on March 23, 2018 and the reinvestment of dividends. The graph uses the closing market price on March 23, 2018 of $28.48 per share as the initial value of our common stock. As discussed above, we have never declared or paid a cash dividend on our common stock and do not anticipate declaring or paying a cash dividend in the foreseeable future.



Company Index	Base period 3/23/2018	3/31/2018	6/30/2018	9/30/2018	12/31/2018	3/31/2019	6/30/2019	9/30/2019	12/31/2019
Dropbox, Inc. Class A	$ 100	$ 110	$ 114	$ 94	$ 72	$ 77	$ 88	$ 71	$ 63
S&P 500 Index	100	102	105	113	97	110	114	115	125
NASDAQ Computer Index	100	101	109	117	95	113	117	123	143

*Returns are based on historical results and are not necessarily indicative of future performance. See the disclosure in Part I, Item 1A, “Risk Factors.”

Unregistered Sales of Equity Securities

None.

Use of Proceeds from Public Offering of Class A Common Stock and Concurrent Private Placement

Our initial public offering of common stock was effected through a Registration Statement on Form S-1 (File No. 333-223182), which was declared effective by the SEC on March 22, 2018. There has been no material change in the planned use of proceeds from our initial public offering as described in our final prospectus filed with the SEC on March 21, 2018 pursuant to Rule 424(b) of the Securities Act and other periodic reports previously filed with the SEC.

On March 27, 2018, we closed our IPO, in which we sold 26,822,409 shares of our Class A common stock at a price to the public of $21.00 per share. In the aggregate, we received proceeds of $746.6 million after deducting underwriters’ discounts and commissions.

Issuer Purchases of Equity Securities

On February 19, 2020, our Board of Directors approved a stock repurchase program for the repurchase of up to $600 million of the Company's outstanding shares of Class A common stock. Share repurchases will be subject to a review of the circumstances in place at that time and will be made from time to time in private transactions or open market purchases, as permitted by securities laws and other legal requirements. The program does not obligate the Company to repurchase any specific number of shares and may be discontinued at any time.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following selected consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes thereto included elsewhere in this Annual Report on Form 10-K. The consolidated statements of operations data for each of the years ended December 31, 2019, 2018, and 2017 and the consolidated balance sheet data as of December 31, 2019, and 2018, are derived from our audited consolidated financial statements that are included elsewhere in this Annual Report on Form 10-K. The consolidated balance sheet data as of December 31, 2017 is derived from our audited consolidated financial statements not included in this Annual Report on Form 10-K. Our historical results are not necessarily indicative of our future results. The selected consolidated financial data in this section are not intended to replace the consolidated financial statements and related notes thereto included elsewhere in this Annual Report on Form 10-K and are qualified in their entirety by the consolidated financial statements and related notes thereto included elsewhere in this Annual Report on Form 10-K.

Consolidated Statements of Operations Data

	Year ended December 31,		
	2019	2018	2017
	(In millions except for per share amounts)		
Revenue	$ 1,661.3	$ 1,391.7	$ 1,106.8
Cost of revenue[(1)]	411.0	394.7	368.9
Gross profit	1,250.3	997.0	737.9
Operating expenses:[(1)]			
Research and development	662.1	768.2	380.3
Sales and marketing	423.3	439.6	314.0
General and administrative	245.4	283.2	157.3
Total operating expenses	1,330.8	1,491.0	851.6
Loss from operations	(80.5)	(494.0)	(113.7)
Interest income (expense), net	12.5	7.1	(11.0)
Other income (expense), net	16.0	6.8	13.2
Loss before income taxes	(52.0)	(480.1)	(111.5)
Benefit from (provision for) income taxes	(0.7)	(4.8)	(0.2)
Net loss	$ (52.7)	$ (484.9)	$ (111.7)
Net loss per share attributable to common stockholders, basic and diluted[(2)]	$ (0.13)	$ (1.35)	$ (0.57)
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	411.6	358.6	195.9

(1) Includes stock-based compensation as follows:

	Year ended December 31,		
	2019	2018	2017
	(In millions)		
Cost of revenue	$ 15.8	$ 47.0	$ 12.2
Research and development	147.6	368.2	93.1
Sales and marketing	31.4	94.3	33.7
General and administrative	66.4	140.6	25.6
Total stock-based compensation[3]	$ 261.2	$ 650.1	$ 164.6

(2) See Note 13, "Net Loss Per Share" to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for an explanation of the method used to calculate basic and diluted net loss per share attributable to common stockholders.

(3) During the year ended December 31, 2018, the Company recognized the cumulative unrecognized stock-based compensation of $418.7 million related to our two-tier restricted stock units ("RSUs") upon the effectiveness of our registration statement for our Initial Public Offering ("IPO"). Refer to "Significant Impacts of Stock-Based Compensation" included elsewhere in this Annual Report on Form 10-K for further information.

Consolidated Balance Sheet Data

	As of December 31,		
	2019	2018	2017
	(In millions)		
Cash, cash equivalents, and short-term investments	$ 1,159.0	$ 1,089.3	$ 430.0
Working capital	228.4	372.7	(220.3)
Property and equipment, net	445.3	310.6	341.9
Total assets	2,699.2	1,694.1	1,019.9
Deferred revenue, current and non-current	559.1	485.6	419.2
Operating lease liability, current and non current[1]	791.8	—	—
Finance lease liability, current and non current	214.9	163.7	174.3
Total stockholders' equity	808.4	676.8	102.9

(1) Includes the impact of the Company's adoption of ASU No. 2016-02, Leases *(Topic 842)*. See Note 1, "Description of the Business and Summary of Significant Accounting Policies" and Note 9, "Leases" for further details.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the section titled “Selected Consolidated Financial and Other Data” and the consolidated financial statements and related notes thereto included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in the section titled “Risk Factors” included elsewhere in this Annual Report on Form 10-K.

Overview

Our modern economy runs on knowledge. Today, knowledge lives in the cloud as digital content, and Dropbox is building the world's first smart workspace where businesses and individuals can create, access, and share this content globally. We serve more than 600 million registered users across 180 countries.

Since our founding in 2007, our market opportunity has grown as we’ve expanded from keeping files in sync to keeping teams in sync. Our smart workspace is a digital environment that brings all of a team’s content together with the tools they love, helping users cut through the clutter and surfacing what matters most. In a world where using technology at work can be fragmented and distracting, the smart workspace makes it easy to focus on the work that matters.

By solving these universal problems, we’ve become invaluable to our users. The popularity of our platform drives viral growth, which has allowed us to scale rapidly and efficiently. We’ve built a thriving global business with 14.3 million paying users.

Our Subscription Plans

We generate revenue from individuals, teams, and organizations by selling subscriptions to our platform, which serve the varying needs of our diverse customer base. Subscribers can purchase individual licenses through our Plus and Professional plans, or purchase multiple licenses through a Standard, Advanced, or Enterprise team plan. Each team represents a separately billed deployment that is managed through a single administrative dashboard. Teams must have a minimum of three users, but can also have more than tens of thousands of users. Customers can choose between an annual or monthly plan, with a small number of large organizations on multi-year plans. A majority of our customers opt for our annual plans. We typically bill our customers at the beginning of their respective terms and recognize revenue ratably over the term of the subscription period. International customers can pay in U.S. dollars or a select number of foreign currencies.

Our premium subscription plans, such as Professional and Advanced, provide more functionality than other subscription plans and have higher per user prices. Our Standard and Advanced subscription plans offer robust capabilities for businesses, and the vast majority of Dropbox Business teams purchase our Standard or Advanced subscription plans. While our Enterprise subscription plan offers more opportunities for customization, companies can subscribe to any of these team plans for their business needs.

In the first quarter of fiscal 2019, we acquired HelloSign, an e-signature and document workflow platform. The acquisition of HelloSign expands our content collaboration capabilities to include additional business-critical workflows. HelloSign has several product lines, and the pricing and revenue generated from each product line varies, with some product lines priced based on the number of licenses purchased (similar to Dropbox plans), while others are priced based on a customer’s transaction volume. Depending on the product purchased, teams must have a minimum of a certain number of licenses, but can also have hundreds of users. Customers can choose between an annual or monthly plan, with a small number of large organizations on multi-year plans. HelloSign also typically bills customers at the beginning of their respective terms and recognizes revenue ratably over the subscription period. HelloSign primarily sells within the United States and sells only in U.S. dollars.

Our Customers

Our customer base is highly diversified, and in the period presented, no customer accounted for more than 1% of our revenue. Our customers include individuals, teams, and organizations of all sizes, from freelancers and small businesses to Fortune 100 companies. They work across a wide range of industries, including professional services, technology, media, education, industrials, consumer and retail, and financial services. Within companies, our platform is used by all types of teams and functions, including sales, marketing, product, design, engineering, finance, legal, and human resources.

Our Business Model

Drive new signups

We acquire users efficiently and at relatively low costs through word-of-mouth referrals, direct in-product referrals, and sharing of content. Anyone can create a Dropbox account for free through our website or app and be up and running in minutes. These users often share and collaborate with other non-registered users, attracting new signups into our network.

Increase conversion of registered users to our paid subscription plans

We generate over 90% of our revenue from self-serve channels—users who purchase a subscription through our app or website. To grow our recurring revenue base, we actively encourage our registered users to convert to one of our paid plans based on the functionality that best suits their needs. We do this via in-product prompts and notifications, time-limited free trials of paid subscription plans, email campaigns, and lifecycle marketing. Together, these enable us to generate increased recurring revenues from our existing user base.

Upgrade and expand existing customers

We offer a range of paid subscription plans, from Plus and Professional for individuals to Standard, Advanced, and Enterprise for teams. We analyze usage patterns within our network and run hundreds of targeted marketing campaigns to encourage paying users to upgrade their plans. We prompt individual subscribers who collaborate with others on Dropbox to purchase our Standard or Advanced plans for a better team experience, and we also encourage existing Dropbox Business teams to purchase additional licenses or to upgrade to premium subscription plans.

Key Business Metrics

We review a number of operating and financial metrics, including the following key metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans, and make strategic decisions.

Total annual recurring revenue

We primarily focus on total annual recurring revenue ("Total ARR") as the key indicator of the trajectory of our business performance. Total ARR represents the amount of revenue that we expect to recur, enables measurement of the progress of our business initiatives, and serves as an indicator of future growth. In addition, Total ARR is less subject to variations in trends that may not appropriately reflect the health of our business. Total ARR is a performance metric and should be viewed independently of revenue and deferred revenue, and is not intended to be a substitute for, or combined with, any of these items.

Total ARR consists of contributions from all of our revenue streams, including subscriptions and add-ons. We calculate Total ARR as the number of users who have active paid licenses for access to our platform as of the end of the period, multiplied by their annualized subscription price to our platform. We adjust the exchange rates used to calculate Total ARR on an annual basis at the beginning of each fiscal year.

The below tables set forth our Total ARR using the exchange rates set at the beginning of each year, as well as on a constant currency basis relative to the exchange rates used in 2019.

	As of March 31, 2018	As of June 30, 2018	As of September 30, 2018	As of December 31, 2018	As of March 31, 2019	As of June 30, 2019	As of September 30, 2019	As of December 31, 2019
				(in millions)				
Total ARR	$ 1,307	$ 1,396	$ 1,461	$ 1,530	$ 1,600	$ 1,651	$ 1,766	$ 1,820

Constant Currency	As of March 31, 2018	As of June 30, 2018	As of September 30, 2018	As of December 31, 2018	As of March 31, 2019	As of June 30, 2019	As of September 30, 2019	As of December 31, 2019
				(in millions)				
Total ARR	$ 1,296	$ 1,385	$ 1,449	$ 1,518	$ 1,600	$ 1,651	$ 1,766	$ 1,820

Revaluing our ending Total ARR for fiscal 2019 using exchange rates set at the beginning of fiscal 2020, Total ARR at the end of fiscal 2019 would be $1,811 million.

We undertook several business initiatives that positively impacted Total ARR in the periods presented. These initiatives include the renewal of our grandfathered existing Dropbox Business teams into the Dropbox Business Advanced plan starting in the second quarter of 2018, and the repricing and repackaging of our existing Dropbox Plus plans in the second quarter of 2019. In addition to these business initiatives, we also acquired HelloSign in the first quarter of 2019, resulting in a benefit to Total ARR beginning in that period. We also undertook several conversion related initiatives and saw benefits in Total ARR as we expanded opportunities for our users to try Dropbox through trial flows on more surfaces.

Supplemental Information

Paying users

We define paying users as the number of users who have active paid licenses for access to our platform as of the end of the period. One person would count as multiple paying users if the person had more than one active license. For example, a 50-person Dropbox Business team would count as 50 paying users, and an individual Dropbox Plus user would count as one paying user. If that individual Dropbox Plus user was also part of the 50-person Dropbox Business team, we would count the individual as two paying users.

We have experienced growth in the number of paying users across our products, with the majority of paying users for the periods presented coming from our self-serve channels.

We acquired HelloSign in the first quarter of fiscal 2019. HelloSign has several product lines and the pricing and revenue generated from each product line varies, with some product lines priced based on the number of licenses purchased (similar to Dropbox plans), while others are priced based on a customer's transaction volume. For purposes of HelloSign results, we include as paying users either (i) the number of users who have active paid licenses for access to the HelloSign platform as of the period end for those products that are priced based on the number of licenses purchased (which is the same method we use to evaluate existing Dropbox plans) or (ii) the number of customers for those products that are priced based on transaction volumes.

The below table sets forth the number of paying users as of December 31, 2019, 2018, and 2017:

	As of December 31,		
	2019	2018	2017
		(In millions)	
Paying users	14.3	12.7	11.0

Average revenue per paying user

We define average revenue per paying user, or ARPU, as our revenue for the period presented divided by the average paying users during the same period. For interim periods, we use annualized revenue, which is calculated by dividing the revenue for the particular period by the number of days in that period and multiplying this value by 365 days. Average paying users are calculated based on adding the number of paying users as of the beginning of the period to the number of paying users as of the end of the period, and then dividing by two.

We undertook two business initiatives over the last two fiscal years that have positively impacted ARPU in the periods presented.

In the second quarter of 2019, we repackaged our existing Dropbox Plus plans to include additional features and, as a result, increased the price for new and existing users on this plan. For certain existing users, the increase in price will be effective on their next renewal date. As a result of the price increase, and combined with an increased mix of sales towards our higher-priced subscription plans, we experienced an increase in our average revenue per paying user for the year ended December 31, 2019, compared to the year ended December 31, 2018.

In 2017, we launched our Dropbox Business Advanced plan. At the time of launch, we grandfathered existing Dropbox Business teams into the Dropbox Business Advanced plan at their legacy price. During 2018 and early 2019, almost all of those grandfathered teams renewed at a higher price. As a result of these renewals, and combined with an increased mix of sales towards our higher-priced subscription plans, we experienced an increase in our average revenue per paying user for the year ended December 31, 2019, compared to the year ended December 31, 2018.

The below table sets forth our ARPU for the years ended December 31, 2019, 2018, and 2017.

	Year ended December 31,		
	2019	2018	2017
ARPU	$ 123.07	$ 117.64	$ 111.91

Non-GAAP Financial Measure

In addition to our results determined in accordance with U.S. generally accepted accounting principles, or GAAP, we believe that free cash flow, or FCF, a non-GAAP financial measure, is useful in evaluating our liquidity.

Free cash flow

We define FCF as GAAP net cash provided by operating activities less capital expenditures. We believe that FCF is a liquidity measure and that it provides useful information regarding cash provided by operating activities and cash used for investments in property and equipment required to maintain and grow our business. FCF is presented for supplemental informational purposes only and should not be considered a substitute for financial information presented in accordance with GAAP. FCF has limitations as an analytical tool, and it should not be considered in isolation or as a substitute for analysis of other GAAP financial measures, such as net cash provided by operating activities. Some of the limitations of FCF are that FCF does not reflect our future contractual commitments, excludes investments made to acquire assets under finance leases, and may be calculated differently by other companies in our industry, limiting its usefulness as a comparative measure.

Our FCF increased for the year ended December 31, 2019, compared to the year ended December 31, 2018, primarily due to an increase in cash provided by operating activities, which was driven by increased subscription sales, as a majority of our paying users are invoiced in advance. These cash inflows were partially offset by higher capital expenditures related to our new corporate headquarters and datacenter build-outs.

Our FCF increased for the year ended December 31, 2018, compared to the year ended December 31, 2017, primarily due to higher cash provided by operating activities, which was driven by increased subscription sales, as a majority of our paying users are invoiced in advance. These cash inflows were partially offset by an increase in capital expenditures primarily related to the build-out of our new corporate headquarters.

We expect our FCF to fluctuate in future periods as we purchase infrastructure equipment to support our user base and continue to invest in our new and existing office spaces to support our plans for growth. We expect our capital expenditures related to our new corporate headquarters to decline as the majority of the project is now complete.

The following is a reconciliation of FCF to the most comparable GAAP measure, net cash provided by operating activities:

	Year ended December 31,		
	2019	2018	2017
		(In millions)	
Net cash provided by operating activities	$ 528.5	$ 425.4	$ 330.3
Capital expenditures	(136.1)	(63.0)	(25.3)
Free cash flow	$ 392.4	$ 362.4	$ 305.0

Components of Our Results of Operations

Revenue

We generate revenue from sales of subscriptions to our platform.

Revenue is recognized ratably over the related contractual term generally beginning on the date that our platform is made available to a customer. Our subscription agreements typically have monthly or annual contractual terms, although a small percentage have multi-year contractual terms. Our agreements are generally non-cancelable. We typically bill in advance for monthly contracts and annually in advance for contracts with terms of one year or longer. Amounts that have been billed are initially recorded as deferred revenue until the revenue is recognized.

Our revenue is driven primarily by conversions and upsells to our paid plans. We also generate revenue from transaction-based products and fees from the referral of users to our partners. We generate over 90% of our revenue from self-serve channels. No customer represented more than 1% of our revenue in the periods presented.

Cost of revenue and gross margin

Cost of revenue. Our cost of revenue consists primarily of expenses associated with the storage, delivery, and distribution of our platform for both paying users and free users, also known as Basic users. These costs, which we refer to as infrastructure costs, include depreciation of our servers located in co-location facilities that we lease and operate, rent and facilities expense for those datacenters, network and bandwidth costs, support and maintenance costs for our infrastructure equipment, and payments to third-party datacenter service providers. Cost of revenue also includes costs, such as salaries, bonuses, employer payroll taxes and benefits, travel-related expenses, and stock-based compensation, which we refer to as employee-related costs, for employees whose primary responsibilities relate to supporting our infrastructure and delivering user support. Other non-employee costs included in cost of revenue include credit card fees related to processing customer transactions, and allocated overhead, such as facilities, including rent, utilities, depreciation on leasehold improvements and other equipment shared by all departments, and shared information technology costs. In addition, cost of revenue includes amortization of developed technologies, professional fees related to user support initiatives, and property taxes related to the datacenters.

During the first quarter of 2018, based on considerations including our asset replacement cycle and our ongoing infrastructure optimization efforts, we revisited the useful life estimates of certain infrastructure equipment. These optimization efforts included efficiencies that allow us to utilize certain infrastructure equipment for longer periods of time. As a result, we determined that the useful lives of the impacted infrastructure equipment, which are depreciated through cost of revenue, should be increased from three to four years. We accounted for this as a change in estimate that was applied prospectively, effective as of January 1, 2018. This change in useful life resulted in a reduction in depreciation expense within cost of revenue of $16.1 million during the year ended December 31, 2018.

We plan to continue increasing the capacity and enhancing the capability and reliability of our infrastructure to support user growth and increased use of our platform. We expect that cost of revenue, will increase in absolute dollars in future periods.

Gross margin. Gross margin is gross profit expressed as a percentage of revenue. Our gross margin may fluctuate from period to period based on the timing of additional capital expenditures and the related depreciation expense, or other increases in our infrastructure costs, as well as revenue fluctuations. As we continue to increase the utilization of our internal infrastructure, we generally expect our gross margin, to remain relatively constant in the near term and to increase modestly in the long term.

Operating expenses

Research and development. Our research and development expenses consist primarily of employee-related costs for our engineering, product, and design teams, compensation expenses related to key personnel from acquisitions and allocated overhead. Additionally, research and development expenses include internal development-related third-party hosting fees. We have expensed almost all of our research and development costs as they were incurred.

We plan to continue to hire employees for our engineering, product, and design teams to support our research and development efforts. We expect that research and development costs will increase in absolute dollars in future periods and vary from period to period as a percentage of revenue.

Sales and marketing. Our sales and marketing expenses relate to both self-serve and outbound sales activities, and consist primarily of employee-related costs, brand marketing costs, lead generation costs, sponsorships and allocated overhead. Sales commissions earned by our outbound sales team and the related payroll taxes, as well as commissions earned by third-party resellers that we consider to be incremental and recoverable costs of obtaining a contract with a customer, are deferred and are typically amortized over an estimated period of benefit of five years. Additionally, sales and marketing expenses include non-employee costs related to app store fees and fees payable to third-party sales representatives and amortization of acquired customer relationships.

We plan to continue to invest in sales and marketing to grow our user base and increase our brand awareness, including marketing efforts to continue to drive our self-serve business model. We expect that sales and marketing expenses will increase in absolute dollars in future periods and vary from period to period as a percentage of revenue. The trend and timing of sales and marketing expenses will depend in part on the timing of marketing campaigns.

General and administrative. Our general and administrative expenses consist primarily of employee-related costs for our legal, finance, human resources, and other administrative teams, as well as certain executives. In addition, general and administrative expenses include allocated overhead, outside legal, accounting and other professional fees, and non-income based taxes.

We expect to incur additional general and administrative expenses to support the growth of the Company. General and administrative expenses include the recognition of stock-based compensation expense related to grants of restricted stock made to our co-founders. We expect that general and administrative expenses will increase in absolute dollars in future periods and vary from period to period as a percentage of revenue.

Interest income (expense), net

Interest income (expense), net consists primarily of interest income earned on our money market funds classified as cash and cash equivalents and short-term investments, partially offset by interest expense related to our finance lease obligations for infrastructure and our imputed financing obligation for our liability to the legal owner of our previous corporate headquarters. We no longer incur interest expense for our imputed financing obligation as of the fourth quarter of 2018, due to the termination of our master lease for our previous corporate headquarters in the third quarter of 2018.

Other income (expense), net

Other income (expense), net consists of other non-operating gains or losses, including those related to equity investments, lease arrangements, which include sublease income, foreign currency transaction gains and losses, and realized gains and losses related to our short-term investments.

Benefit from (provision for) income taxes

Provision for income taxes consists primarily of U.S. federal and state income taxes and income taxes in certain foreign jurisdictions in which we conduct business. For the periods presented, the difference between the U.S. statutory rate and our effective tax rate is primarily due to the valuation allowance on deferred tax assets. Our effective tax rate is also impacted by earnings realized in foreign jurisdictions with statutory tax rates lower than the federal statutory tax rate. We maintain a full valuation allowance on our net deferred tax assets for federal, state, and certain foreign jurisdictions as we have concluded that it is not more likely than not that the deferred assets will be realized.

Results of Operations

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

	Year ended December 31,		
	2019	2018	2017
		(In millions)	
Revenue	$ 1,661.3	$ 1,391.7	$ 1,106.8
Cost of revenue[(1)]	411.0	394.7	368.9
Gross profit	1,250.3	997.0	737.9
Operating expenses:[(1)]			
Research and development	662.1	768.2	380.3
Sales and marketing	423.3	439.6	314.0
General and administrative	245.4	283.2	157.3
Total operating expenses	1,330.8	1,491.0	851.6
Loss from operations	(80.5)	(494.0)	(113.7)
Interest income (expense), net	12.5	7.1	(11.0)
Other income (expense), net	16.0	6.8	13.2
Loss before income taxes	(52.0)	(480.1)	(111.5)
Benefit from (provision for) income taxes	(0.7)	(4.8)	(0.2)
Net loss	$ (52.7)	$ (484.9)	$ (111.7)

(1) Includes stock-based compensation as follows:

	Year ended December 31,		
	2019	2018	2017
		(In millions)	
Cost of revenue	$ 15.8	$ 47.0	$ 12.2
Research and development	147.6	368.2	93.1
Sales and marketing	31.4	94.3	33.7
General and administrative	66.4	140.6	25.6
Total stock-based compensation[(2)]	$ 261.2	$ 650.1	$ 164.6

(2) Upon the effectiveness of the registration statement for our initial public offering, which was March 22, 2018, the liquidity event-related performance vesting condition associated with our two-tier RSUs was satisfied. During the year ended December 31, 2018, we recognized the cumulative unrecognized stock-based compensation of $418.7 million. See "Significant Impacts of Stock Based Compensation" for further information regarding our equity arrangements.

The following table sets forth our results of operations for each of the periods presented as a percentage of revenue:

	Year ended December 31,		
	2019	2018	2017
	As a percentage of revenue		
Revenue	100 %	100 %	100 %
Cost of revenue	25	28	33
Gross profit	75	72	67
Operating expenses:	—		
Research and development	40	55	34
Sales and marketing	25	32	28
General and administrative	15	20	14
Total operating expenses	80	107	77
Loss from operations	(5)	(35)	(10)
Interest income (expense), net	1	1	(1)
Other income (expense), net	1	—	1
Loss before income taxes	(3)	(34)	(10)
Benefit from (provision for) income taxes	—	—	—
Net loss	(3)%	(35)%	(10)%

Comparison of the year ended December 31, 2019 and 2018

Revenue

	Year ended December 31,			
	2019	2018	$ Change	% Change
	(In millions)			
Revenue	$ 1,661.3	$ 1,391.7	$ 269.6	19%

Revenue increased $269.6 million or 19% during the year ended December 31, 2019, as compared to the year ended December 31, 2018. The increase in revenue was driven primarily by the adoption of premium plans by our users, an increase in the price of our Plus plan, and an increase in paying users.

Cost of revenue, gross profit, and gross margin

	Year ended December 31,			
	2019	2018	$ Change	% Change
	(In millions)			
Cost of revenue	$ 411.0	$ 394.7	$ 16.3	4%
Gross profit	1,250.3	997.0	253.3	25%
Gross margin	75%	72%		

Cost of revenue increased $16.3 million or 4% during the year ended December 31, 2019, as compared to the year ended December 31, 2018, primarily due to an increase of $13.7 million in infrastructure costs, $13.0 million in employee-related costs, excluding stock-based compensation, due to headcount growth, and $10.4 million in allocated overhead, which includes facilities-related costs for both our current and former corporate headquarters. Additionally, cost of revenue increased due to $5.2 million in credit card transaction fees due to higher sales, and $3.8 million in amortization of acquired intangible assets. These increases were offset by a decrease of $31.1 million in stock-based compensation, which was primarily due to the large expense recognized in the year ended December 31, 2018 due to the achievement of the performance vesting condition of our two-tier RSUs upon the effectiveness of the registration statement related to our IPO.

Our gross margin increased from 72% during the year ended December 31, 2018 to 75% during the year ended December 31, 2019, primarily due to a 19% increase in our revenue during the period offset by a lesser increase in our cost of revenue described above.

Research and development

	Year ended December 31,			
	2019	2018	$ Change	% Change
	(In millions)			
Research and development	$ 662.1	$ 768.2	$ (106.1)	(14)%

Research and development expenses decreased $106.1 million or 14% during the year ended December 31, 2019, as compared to the year ended December 31, 2018, primarily due to a decrease of $220.6 million in stock-based compensation, which was primarily due to the large expense recognized in the year ended December 31, 2018 due to the achievement of the performance vesting condition of our two-tier RSUs upon the effectiveness of the registration statement related to our IPO. This decrease was offset by increases of $62.0 million in employee-related costs, excluding stock-based compensation, due to headcount growth, and $36.9 million in allocated overhead, which includes facilities-related costs for both our current and former corporate headquarters.

Sales and marketing

	Year ended December 31,			
	2019	2018	$ Change	% Change
	(In millions)			
Sales and marketing	$ 423.3	$ 439.6	$ (16.3)	(4)%

Sales and marketing expenses decreased $16.3 million or 4% during the year ended December 31, 2019, as compared to the year ended December 31, 2018, due to decreases of $62.9 million in stock-based compensation, which was primarily due to the large expense recognized in the year ended December 31, 2018 due to the achievement of the performance vesting condition of our two-tier RSUs upon the effectiveness of the registration statement related to our IPO, and a decrease of $11.9 million due to brand marketing costs, lead generation costs, third-party sales representative fees, and sponsorships. These decreases were offset by increases of $22.7 million in employee-related costs, excluding stock-based compensation, due to headcount growth, and $16.5 million in allocated overhead, which includes facilities-related costs for both our current and former corporate headquarters. Additionally, the decrease in sales and marketing expenses was further offset by increases of $12.7 million in app store fees due to increased sales and due to $5.0 million in amortization of acquired intangible assets.

General and administrative

	Year ended December 31,			
	2019	2018	$ Change	% Change
	(In millions)			
General and administrative	$ 245.4	$ 283.2	$ (37.8)	(13)%

General and administrative expense decreased $37.8 million or 13% during the year ended December 31, 2019, as compared to the year ended December 31, 2018, primarily due to a decrease of $74.2 million in stock-based compensation, which was primarily due to the large expense recognized in the year ended December 31, 2018 due to the achievement of the performance vesting condition of our two-tier RSUs, and the performance-based vesting condition for the Co-Founder Grants in connection with our IPO. This decrease was offset by increases of $17.2 million in allocated overhead, which includes facilities-related costs for both our current and former corporate headquarters, $10.4 million in non-income based taxes, and $9.2 million in legal-related and acquisition expenses.

Interest income (expense), net

Interest income (expense), net increased $5.4 million during the year ended December 31, 2019, as compared to the year ended December 31, 2018, due to an increase in interest income from our money market funds and short-term investments.

Other income (expense), net

Other income (expense), net increased $9.2 million during the year ended December 31, 2019, as compared to the year ended December 31, 2018, primarily due to an increase of $9.0 million in gains related to disposals of infrastructure assets, and $5.0 million in gains related to an equity investment and short-term investments. These increases are partially offset by a decrease of sublease income of $6.0 million.

Benefit from (provision for) income taxes

Provision for income taxes decreased by $4.1 million during the year ended December 31, 2019 as compared to the year ended December 31, 2018, primarily due to a one-time tax benefit related to the acquisition of HelloSign.

Fiscal 2018 Compared to Fiscal 2017

For a comparison of our results of operations for the fiscal years ended December 31, 2018 and 2017, see Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, filed with the SEC on February 25, 2019.

Quarterly Results of Operations (Unaudited)

The following table sets forth our unaudited quarterly statements of operations data for each of the last eight quarters ended December 31, 2019. The information for each of these quarters has been prepared on the same basis as the audited annual financial statements included elsewhere in this Annual Report on Form 10-K and, in the opinion of management, includes all adjustments, which includes only normal recurring adjustments, necessary for the fair statement of the results of operations for these periods. This data should be read in conjunction with our audited consolidated financial statements and related notes thereto included elsewhere in this Annual Report on Form 10-K. These quarterly results of operations are not necessarily indicative of our future results of operations that may be expected for any future period.

	Three months ended							
	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
	(In millions, except per share amounts)							
Revenue	$ 446.0	$ 428.2	$ 401.5	$ 385.6	$ 375.9	$ 360.3	$ 339.2	$ 316.3
Cost of revenue[1]	104.9	104.8	102.9	98.4	94.4	90.2	89.5	120.6
Gross profit	341.1	323.4	298.6	287.2	281.5	270.1	249.7	195.7
Operating expenses:[1][2]								
Research and development	176.9	172.8	162.4	150.0	136.8	133.2	119.7	378.5
Sales and marketing	106.3	108.2	107.3	101.5	100.2	95.0	87.4	157.0
General and administrative	64.5	61.0	62.9	57.0	56.5	50.8	49.8	126.1
Total operating expenses	347.7	342.0	332.6	308.5	293.5	279.0	256.9	661.6
Loss from operations	$ (6.6)	$ (18.6)	$ (34.0)	$ (21.3)	$ (12.0)	$ (8.9)	$ (7.2)	$ (465.9)
Net loss	$ (6.6)	$ (17.0)	$ (21.4)	$ (7.7)	$ (9.5)	$ (5.8)	$ (4.1)	$ (465.5)
Net loss per share attributable to common stockholders, basic and diluted	$ (0.02)	$ (0.04)	$ (0.05)	$ (0.02)	$ (0.02)	$ (0.01)	$ (0.01)	$ (2.13)

(1) Includes stock-based compensation as follows:

	Three months ended							
	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
	(In millions)							
Cost of revenue	$ 4.0	$ 4.1	$ 4.7	$ 3.0	$ 3.1	$ 3.2	$ 2.9	$ 37.8
Research and development	40.5	38.9	37.7	30.5	29.2	28.2	27.9	282.9
Sales and marketing	7.8	7.7	8.8	7.1	5.9	8.1	7.9	72.4
General and administrative	17.0	17.5	16.9	15.0	15.3	15.5	16.4	93.4
Total stock-based compensation(2)(3)	$ 69.3	$ 68.2	$ 68.1	$ 55.6	$ 53.5	$ 55.0	$ 55.1	$ 486.5

(2) During the three months ended March 31, 2018 we recognized the cumulative unrecognized stock-based compensation of $418.7 million related to our two-tier RSUs upon the effectiveness of our registration statement for our IPO. During the quarter, we also released 26.8 million shares of common stock underlying the vested two-tier RSUs, and as a result recorded $13.9 million in employer related payroll tax expenses associated with these same awards. Refer to "Significant Impacts of Stock-Based Compensation" included elsewhere in this Annual Report on Form 10-K for further information.

(3) During the year ended December 31, 2017, our Board of Directors voted to approve a modification of vesting schedules for certain unvested one-tier and two-tier RSUs to align the vesting schedules for all RSUs to vest once per quarter. As a result, we recognized an incremental $10.0 million in stock-based compensation during the three months ended March 31, 2018. Refer to "Significant Impacts of Stock-Based Compensation" included elsewhere in this Annual Report on Form 10-K for further information.

	Three months ended							
	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
	(As a % of revenue)							
Revenue	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
Cost of revenue	24	24	26	26	25	25	26	38
Gross profit	76	76	74	74	75	75	74	62
Operating expenses:								
Research and development	40	40	40	39	36	37	35	120
Sales and marketing	24	25	27	26	27	26	26	50
General and administrative	14	14	16	15	15	14	15	40
Total operating expenses	78	80	83	80	78	77	76	209
Loss from operations	(1)%	(4)%	(8)%	(6)%	(3)%	(2)%	(2)%	(147)%
Net Loss	(1)%	(4)%	(5)%	(2)%	(3)%	(2)%	(1)%	(147)%

Quarterly revenue trends

Our revenue increased sequentially in each of the quarters presented primarily due to increases in Total ARR, paying users, and average revenue per paying user. Seasonality in our revenue is not material.

Quarterly cost of revenue and gross margin trends

Except for the three months ended March 31, 2018, our cost of revenue increased sequentially in the quarters presented primarily due to infrastructure costs and employee related expenses, excluding stock based compensation, which is offset by the increases in our revenue causing our gross margins to increase or remain constant. Our cost of revenue during the three months ended March 31, 2018, was higher than the other quarters due to the completion of our initial public offering, as further described in "—Significant Impacts of Stock-Based Compensation".

Quarterly operating expense trends

Except for the three months ended March 31, 2018, our total quarterly operating expenses increased sequentially in each of the quarters presented primarily due to headcount growth in connection with the expansion of our business and other events that are discussed herein. Our quarterly operating expenses during the three months ended March 31, 2018, was higher than the other quarters presented due to the completion of our initial public offering, as further described in "—Significant Impacts of Stock-Based Compensation".

Research and development

Except for the three months ended March 31, 2018, our research and development expenses increased sequentially in each of the quarters presented primarily due to employee-related expenses due to headcount growth and overhead-related costs, which includes facilities related costs for both our current and former corporate headquarters in certain periods. Our research and development expenses during the three months ended March 31, 2018, were higher than the other quarters presented, primarily due to the completion of our initial public offering, as further described in "—Significant Impacts of Stock-Based Compensation".

Sales and marketing

Except for the three months ended March 31, 2018, our sales and marketing expenses have generally increased in the quarters presented primarily due to employee-related expenses due to headcount growth and overhead-related costs, which includes facilities related costs for both our current and former corporate headquarters in certain quarters. Additionally, the timing of brand advertising campaigns can impact the trends in sales and marketing expenses. Our sales and marketing expenses during the three months ended March 31, 2018, was higher than the other quarters presented primarily due to the completion of our initial public offering, as further described in "—Significant Impacts of Stock-Based Compensation".

General and administrative

Except for the three months ended March 31, 2018, our general and administrative expenses have generally increased in the quarters presented, primarily due to increases in employee-related expenses, non-income based taxes, and legal, accounting, and other professional fees. Our general and administrative expenses during the three months ended March 31, 2018, was higher than the other quarters presented primarily due to the completion of our initial public offering. Additionally, as a result of our initial public offering, and in the same quarter, we began recognizing stock-based compensation expense related to market-based awards granted to our co-founders in 2017 ("Co-Founder Grants"), as further described in "—Significant Impacts of Stock-Based Compensation".

Liquidity and Capital Resources

As of December 31, 2019, we had cash and cash equivalents of $551.3 million and short-term investments of $607.7 million, which were held for working capital purposes. Our cash, cash equivalents, and short-term investments consist primarily of cash, money market funds, corporate notes and obligations, U.S. Treasury securities, certificates of deposit, asset-backed securities, commercial paper, U.S. agency obligations, supranational securities, and municipal securities. As of December 31, 2019, we had $219.3 million of our cash and cash equivalents held by our foreign subsidiaries. We do not expect to incur material taxes in the event we repatriate any of these amounts.

Since our inception, we have financed our operations primarily through equity issuances, cash generated from our operations, and finance leases to finance infrastructure-related assets in co-location facilities that we directly lease and operate. We enter into finance leases in part to better match the timing of payments for infrastructure-related assets with that of cash received from our paying users. In our business model, some of our registered users convert to paying users over time, and consequently there is a lag between initial investment in infrastructure assets and cash received from some of our users.

Our principal uses of cash in recent periods have been funding our operations, purchases of short-term investments, the satisfaction of tax withholdings in connection with the settlement of restricted stock units, making principal payments on our finance lease obligations, and capital expenditures. On February 19, 2020, our Board of Directors approved a stock repurchase program for the repurchase of up to $600 million of the Company’s outstanding shares of Class A common stock. Share repurchases will be subject to a review of the circumstances in place at that time and will be made from time to time in private transactions or open market purchases as permitted by securities laws and other legal requirements. The program does not obligate the Company to repurchase any specific number of shares and may be discontinued at any time.

In April 2017, we entered into a $600.0 million credit facility with a syndicate of financial institutions. Pursuant to the terms of the revolving credit facility, we may issue letters of credit under the revolving credit facility, which reduce the total amount available for borrowing under such facility. The revolving credit facility terminates on April 4, 2022. In February 2018, we amended our revolving credit facility to, among other things, permit us to make certain investments, enter into an unsecured standby letter of credit facility, and increase our standby letter of credit sublimit to $187.5 million. We also increased our borrowing capacity under the revolving credit facility from $600.0 million to $725.0 million. We may from time to time request increases in the borrowing capacity under our revolving credit facility of up to $275.0 million, provided no event of default has occurred or is continuing or would result from such increase.

Interest on borrowings under the revolving credit facility accrues at a variable rate tied to the prime rate or the LIBOR rate, at our election. Interest is payable quarterly in arrears. Pursuant to the terms of the revolving credit facility, we are required to pay an annual commitment fee that accrues at a rate of 0.20% per annum on the unused portion of the borrowing commitments under the revolving credit facility. In addition, we are required to pay a fee in connection with letters of credit issued under the revolving credit facility that accrues at a rate of 1.5% per annum on the amount of such letters of credit outstanding. There is an additional fronting fee of 0.125% per annum multiplied by the average aggregate daily maximum amount available under all letters of credit.

The revolving credit facility contains customary conditions to borrowing, events of default, and covenants, including covenants that restrict our ability to incur indebtedness, grant liens, make distributions to our holders or our subsidiaries' equity interests, make investments, or engage in transactions with our affiliates. In addition, the revolving credit facility contains financial covenants, including a consolidated leverage ratio covenant and a minimum liquidity balance. We were in compliance with all covenants under the revolving credit facility as of December 31, 2019.

As of December 31, 2019, we had no amounts outstanding under the revolving credit facility and an aggregate of $59.7 million in letters of credit outstanding under the revolving credit facility. Our total available borrowing capacity under the revolving credit facility was $665.3 million as of December 31, 2019.

We believe our existing cash and cash equivalents, together with our short-term investments, cash provided by operations and amounts available under the revolving credit facility, will be sufficient to meet our needs for the foreseeable future. Our future capital requirements will depend on many factors including our revenue growth rate, subscription renewal activity, billing frequency, the timing and extent of spending to support further infrastructure development and research and development efforts, the timing and extent of additional capital expenditures to invest in existing and new office spaces, such as our new corporate headquarters, the satisfaction of tax withholding obligations for the release of restricted stock units, the expansion of sales and marketing and international operation activities, the introduction of new product capabilities and enhancement of our platform, and the continuing market acceptance of our platform. We have and 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, results of operations, and financial condition would be materially and adversely affected.

Our cash flow activities were as follows for the periods presented:

	Year ended December 31,	
	2019	**2018**
	(In millions)	
Net cash provided by operating activities	$ 528.5	$ 425.4
Net cash used in investing activities	(320.0)	(633.8)
Net cash (used in) provided by financing activities	(176.7)	300.8
Effect of exchange rate changes on cash and cash equivalents	0.2	(3.1)
Net increase in cash and cash equivalents	$ 32.0	$ 89.3

Operating activities

Our largest source of operating cash is cash collections from our paying users for subscriptions to our platform. Our primary uses of cash from operating activities are for employee-related expenditures, infrastructure-related costs, and marketing expenses. Net cash provided by operating activities is impacted by our net loss adjusted for certain non-cash items, including depreciation and amortization expenses and stock-based compensation, as well as the effect of changes in operating assets and liabilities.

For the year ended December 31, 2019, net cash provided by operating activities was $528.5 million, which mostly consisted of our net loss of $52.7 million, adjusted for stock-based compensation expense of $261.2 million and depreciation and amortization expenses of $173.5 million, and net cash inflow of $145.6 million from operating assets and liabilities. The inflow from operating assets and liabilities was primarily due to an increase of $68.7 million in deferred revenue from increased subscription sales, as a majority of our paying users are invoiced in advance. Additionally, cash provided by operating activities increased due to an increase in other operating assets and liabilities of $76.9 million. Our net cash provided by operating activities for the year ended December 31, 2019 also included cash payments of $55.3 million related to tenant improvement allowance reimbursements.

For the year ended December 31, 2018, net cash provided by operating activities was $425.4 million, which mostly consisted of our net loss of $484.9 million, adjusted for stock-based compensation expense of $650.1 million and depreciation and amortization expenses of $166.8 million, and net cash inflow of $83.2 million from operating assets and liabilities. The inflow from operating assets and liabilities was primarily due to an increase of $66.4 million in deferred revenue from increased subscription sales, as a majority of our paying users are invoiced in advance. Additionally, cash provided by operating activities increased due to an increase in other operating assets and liabilities of $16.8 million. Our net cash provided by operating activities for the year ended December 31, 2018 also included a payment of $13.8 million of employer payroll taxes related to the release of our two-tier RSUs in connection with our IPO, which was paid in the first quarter of 2018.

Investing activities

Net cash used in investing activities is primarily impacted by purchases of short-term investments, purchases of property and equipment to make improvements to existing and new office spaces, and for purchasing infrastructure equipment in co-location facilities that we directly lease and operate.

For the year ended December 31, 2019, net cash used in investing activities was $320.0 million, which primarily related to purchases of short-term investments of $775.4 million, cash paid for our acquisition of HelloSign, net of cash acquired, of $171.6 million and capital expenditures of $136.1 million related to our office and datacenter build-outs. These outflows were partially offset by inflows of $750.9 million related to proceeds from maturities and sales of short-term investments.

For the year ended December 31, 2018, net cash used in investing activities was $633.8 million, which primarily related to purchases of short-term investments of $850.4 million and capital expenditures of $63.0 million related to our office and datacenter build-outs. These outflows were partially offset by inflows of $283.6 million related to proceeds from maturities and sales of short-term investments.

Financing activities

Net cash (used in) financing activities is primarily impacted by repurchases of common stock to satisfy the tax withholding obligation for the release of restricted stock units ("RSUs") and principal payments on finance lease obligations for our infrastructure equipment.

For the year ended December 31, 2019, net cash used in financing activities was $176.7 million, which primarily consisted of $92.9 million in principal payments against finance lease obligations and $85.4 million for the satisfaction of tax withholding obligations for the release of restricted stock units.

For the year ended December 31, 2018, net cash provided by financing activities was $300.8 million, which primarily consisted of $746.6 million in net proceeds from the completion of our IPO and concurrent private placement. The proceeds were offset by $351.9 million for the satisfaction of tax withholding obligations for the release of restricted stock units and $109.1 million in principal payments against finance lease obligations.

Contractual Obligations

Our principal commitments consist of obligations under operating leases for office space and datacenter operations, and finance leases for datacenter equipment. The following table summarizes our commitments to settle contractual obligations in cash as of December 31, 2019, for the periods presented below:

	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
			(In millions)		
Operating lease commitments[1]	$ 1,155.7	$ 119.5	$ 224.5	$ 175.5	$ 636.2
Finance lease commitments[2]	229.0	84.1	123.7	21.2	-
Other commitments[3]	73.3	48.8	7.4	0.4	16.7
Total contractual obligations	$ 1,458.0	$ 252.4	$ 355.6	$ 197.1	$ 652.9

(1) Consists of future non-cancelable minimum rental payments under operating leases for our offices and datacenters, excluding rent payments from our sub-tenants and variable operating expenses. As of December 31, 2019, we are entitled to non-cancelable rent payments from our sub-tenants of $33.5 million, which will be collected over the next 3 years.
(2) Consists of future non-cancelable minimum rental payments under finance leases primarily for our infrastructure.
(3) Consists of commitments to third-party vendors for services related to our infrastructure, infrastructure warranty contracts, asset retirement obligations for office modifications, and a note payable related to financing of our infrastructure.

In addition to the contractual obligations set forth above, as of December 31, 2019, we had an aggregate of $59.6 million in letters of credit outstanding under our revolving credit facility.

In 2017, we entered into a new lease agreement for office space in San Francisco, California, to serve as our new corporate headquarters. We took initial possession of our new corporate headquarters in June 2018 and began to recognize rent expense in the same period. Refer to Note 9 "Leases" for further information.

Off-Balance Sheet Arrangements

As of December 31, 2019, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or variable interest entities, which would have been established for the purpose of facilitating off balance sheet arrangements or other contractually narrow or limited purposes.

Significant Impacts of Stock-Based Compensation

Restricted Stock Units

We have granted restricted stock units, or RSUs, to our employees and members of our Board of Directors under our 2008 Equity Incentive Plan, or 2008 Plan, our 2017 Equity Incentive Plan, or 2017 Plan and our 2018 Equity Incentive Plan, or 2018 Plan. We have two types of RSUs outstanding as of December 31, 2019:

- One-tier RSUs, which have a service-based vesting condition over a four-year period. These awards typically have a cliff vesting period of one year and continue to vest quarterly thereafter. We recognize compensation expense associated with one-tier RSUs ratably on a straight-line basis over the requisite service period.

- Two-tier RSUs, which have both a service-based vesting condition and a liquidity event-related performance vesting condition. These awards typically have a service-based vesting period of four years with a cliff vesting period of one year and continue to vest monthly thereafter. Upon satisfaction of the Performance Vesting Condition, these awards vest quarterly. The Performance Vesting Condition was satisfied upon the effectiveness of the registration statement related to our IPO. Our last grant date for two-tier RSUs was May 2015. We recognize compensation expense associated with two-tier RSUs using the accelerated attribution method over the requisite service period.

Upon the effectiveness of the registration statement related to our IPO, we recognized stock-based compensation related to our two-tier RSUs using the accelerated attribution method, with a cumulative catch-up in the amount of $418.7 million attributable to service provided prior to such effective date. The remaining unamortized stock-based compensation as of December 31, 2018 related to the two-tier RSUs of $0.1 million was recognized in 2019.

Co-Founder Grants

In December 2017, the Board of Directors approved a grant to the Company’s co-founders of non-Plan RSAs with respect to 14.7 million shares of Class A Common Stock in the aggregate (collectively, the “Co-Founder Grants”), of which 10.3 million RSAs were granted to Mr. Houston, the Company’s co-founder and Chief Executive Officer, and 4.4 million RSAs were granted to Mr. Ferdowsi, the Company’s co-founder and Director. These Co-Founder Grants have service-based, market-based, and performance-based vesting conditions. The Co-Founder Grants are excluded from Class A common stock issued and outstanding until the satisfaction of these vesting conditions. The Co-Founder Grants also provide the holders with certain stockholder rights, such as the right to vote the shares with the other holders of Class A common stock and a right to cumulative declared dividends. However, the Co-Founder Grants are not considered a participating security for purposes of calculating net loss per share attributable to common stockholders in Note 13, "Net Loss Per Share", as the right to the cumulative declared dividends is forfeitable if the service condition is not met.

The Co-Founder Grants are eligible to vest over the ten-year period following the date the Company's shares of Class A common stock commenced trading on the Nasdaq Global Select Market in connection with the Company's IPO. The Co-Founder Grants comprise nine tranches that are eligible to vest based on the achievement of stock price goals, each of which are referred to as a Stock Price Target, measured over a consecutive thirty-day trading period during the Performance Period. The Performance Period began on January 1, 2019 and the RSUs expire at the earliest date among the following: the date on which all shares vest, the date the Co-Founder(s) cease to meet their service conditions, or the tenth anniversary of the IPO date.

Company Stock Price Target	Shares Eligible to Vest for Mr. Houston	Shares Eligible to Vest for Mr. Ferdowsi
$30.00	2,066,667	880,000
$37.50	1,033,334	440,000
$45.00	1,033,334	440,000
$52.50	1,033,333	440,000
$60.00	1,033,333	440,000
$67.50	1,033,333	440,000
$75.00	1,033,333	440,000
$82.50	1,033,333	440,000
$90.00	1,033,333	440,000

During the first four years of the Performance Period, no more than 20% of the shares subject to each Co-Founder Grant would be eligible to vest in any calendar year. After the first four years, all shares are eligible to vest based on the achievement of the Stock Price Targets.

The Company calculated the grant date fair value of the Co-Founder Grants based on multiple stock price paths developed through the use of a Monte Carlo simulation. A Monte Carlo simulation also calculates a derived service period for each of the nine vesting tranches, which is the measure of the expected time to achieve each Stock Price Target. A Monte Carlo simulation requires the use of various assumptions, including the underlying stock price, volatility, and the risk-free interest rate as of the valuation date, corresponding to the length of time remaining in the performance period, and expected dividend yield. The weighted-average grant date fair value of each Co-Founder Grant was estimated to be $10.60 per share. The weighted-average derived service period of each Co-Founder Grant was estimated to be 5.2 years, and ranged from 2.9 - 6.9 years. The Company will recognize aggregate stock-based compensation expense of $156.2 million over the derived service period of each tranche using the accelerated attribution method as long as the co-founders satisfy their service-based vesting conditions. If the Stock Price Targets are met sooner than the derived service period, the Company will adjust its stock-based compensation to reflect the cumulative expense associated with the vested awards. The Company will recognize expense if the requisite service is provided, regardless of whether the market conditions are achieved.

The Performance Vesting Condition for the Co-Founder Grants was satisfied on the date the Company's shares of Class A common stock commenced trading on the Nasdaq Global Select Market in connection with the Company's IPO, which was March 23, 2018.

Award Modification

During the year ended December 31, 2017, the Company's Board of Directors voted to approve a modification of vesting schedules for certain unvested one-tier and two-tier RSUs to align the vesting schedules for all RSUs to vest once per quarter. The modification was effective February 15, 2018, which resulted in accelerated vesting of impacted RSUs that had met their service requirement as of that date. As a result, the Company recognized an incremental $10.0 million in stock-based compensation during the first quarter of 2018 related to these modified one-tier and two-tier RSUs.

See Note 1, "Description of the Business and Summary of Significant Accounting Policies" and Note 12, "Stockholders' Equity" to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for more information regarding our equity awards.

Critical Accounting Policies and Judgments

Our consolidated financial statements and the related notes thereto included elsewhere in this Annual Report on Form 10-K are prepared in accordance with generally accepted accounting principles, or GAAP, in the United States. The preparation of consolidated financial statements also requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from the estimates made by management. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations, and cash flows will be affected.

We believe that the accounting policies described below 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 operations.

Revenue recognition

We generate revenue from sales of subscriptions to our platform. Subscription fees exclude sales and other indirect taxes. 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

Our subscription agreements typically have monthly or annual contractual terms, and a small percentage have multi-year contractual terms. Revenue is recognized ratably over the related contractual term generally beginning on the date that our platform is made available to a customer. Our agreements are generally non-cancelable. We typically bill in advance for monthly contracts and annually in advance for contracts with terms of one year or longer.

Business combinations

Accounting for business combinations requires us to make significant estimates and assumptions. We allocate the purchase consideration to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values, with the excess recorded to goodwill. Critical estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows, expected asset lives, and discount rates. The amounts and useful lives assigned to acquisition-related intangible assets impact the amount and timing of future amortization expense.

During the measurement period, which is not to exceed 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.

Deferred commissions

Certain sales commissions and the related payroll taxes earned by our outbound sales team, as well as commissions earned by third-party resellers, are considered to be incremental and recoverable costs of obtaining a contract with a customer. These costs are deferred and then amortized over a period of benefit that we have determined to be five years. We determined the period of benefit by taking into consideration our historical customer attrition rates, the useful life of our technology, and the impact of competition in our industry.

Fair value of market condition awards

The Co-Founder Grants contain market-based vesting conditions. The market-based vesting condition is considered when calculating the grant date fair value of these awards, which requires the use of various estimates and assumptions. The grant date fair value of the Co-Founder Grants was estimated using a model based on multiple stock price paths developed through the use of a Monte Carlo simulation that incorporates into the valuation the possibility that the market condition may not be satisfied. A Monte Carlo simulation requires the use of various assumptions, including our underlying stock price, volatility, and the risk-free interest rate as of the valuation date, corresponding to the length of time remaining in the performance period, and expected dividend yield. A Monte Carlo simulation also calculates a derived service period for each of the nine vesting tranches, which is the measure of the expected time to achieve the market conditions. Expense associated with market-based awards is recognized over the requisite service period of each tranche using the accelerated attribution method, regardless of whether the market conditions are achieved.

Recent Accounting Pronouncements

See Note 1, “Description of the Business and Summary of Significant Accounting Policies” to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted as of the date of this Annual Report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate risk

We had cash and cash equivalents of $551.3 million and short-term investments of $607.7 million as of December 31, 2019. We hold our cash and cash equivalents and short-term investments for working capital purposes. Our cash, cash equivalents, and short-term investments consist primarily of cash, money market funds, corporate notes and obligations, U.S. Treasury securities, certificates of deposit, asset-backed securities, commercial paper, U.S. agency obligations, supranational securities and municipal securities. The primary objectives of our investment activities are the preservation of capital, the fulfillment of liquidity needs, and the control of cash and investments. We do not enter into investments for trading or speculative purposes. Due to the short-term nature of these instruments, we believe that we do not have any material exposure to changes in the fair value of our investment portfolio as a result of changes in interest rates. Decreases in interest rates, however, would reduce future interest income.

Any borrowings under the revolving credit facility bear interest at a variable rate tied to the prime rate or the LIBOR rate. As of December 31, 2019, we had no amounts outstanding under the revolving credit facility. We do not have any other long-term debt or financial liabilities with floating interest rates that would subject us to interest rate fluctuations.

As of December 31, 2019, a hypothetical change in interest rates by 100 basis points would not have a significant impact on our cash and cash equivalents or the fair value of our investment portfolio.

Foreign currency exchange risk

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates relative to U.S. dollars, our reporting currency.

Most of our revenue is generated in U.S. dollars, with the remainder generated in Euros, British pounds sterling, Australian dollars, Canadian dollars, and Japanese yen.

Our expenses are generally denominated in the currencies in which our operations are located, which are primarily the United States and, to a lesser extent, Europe and Asia. The functional currency of Dropbox International Unlimited, our international headquarters and largest international entity, is denominated in U.S. dollars. Our results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates in ways that are unrelated to our operating performance.

As exchange rates may fluctuate significantly between periods, revenue and operating expenses, when converted into U.S. dollars, may also experience significant fluctuations between periods. Historically, a majority of our revenue and operating expenses have been denominated in U.S. dollars, Euros, and British pounds sterling. Although we are impacted by the exchange rate movements from a number of currencies relative to the U.S. dollar, our results of operations are particularly impacted by fluctuations in the U.S. dollar-Euro and U.S. dollar-British pounds sterling exchange rates. In the year ended December 31, 2019, 29.0% of our sales were denominated in currencies other than U.S. dollars. Our expenses, by contrast, are primarily denominated in U.S. dollars. As a result, any increase in the value of the U.S. dollar against these foreign currencies could cause our revenue to decline relative to our costs, thereby decreasing our margins.

We recorded $0.8 and $1.9 million in net foreign currency transaction losses in the years ended December 31, 2019 and 2018, respectively. A hypothetical 10% change in foreign currency rates would not have resulted in material gains or losses for the years ended December 31, 2019, and 2018.

To date, we have not engaged in any hedging activities. As our international operations grow, we will continue to reassess our approach to managing risks relating to fluctuations in currency rates.

Inflation risk

We do not believe that inflation has had a material effect on our business, results of operations, or financial condition. Nonetheless, if our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs. Our inability or failure to do so could harm our business, results of operations, or financial condition.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

DROPBOX, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

The supplementary financial information required by this Item 8 is included in Item 7 under the caption "Quarterly Results of Operations."

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Dropbox, Inc. (the Company) as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2019, 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 December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, 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 December 31, 2019, 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 February 21, 2020 expressed an unqualified opinion thereon.

Adoption of ASU No. 2016-02

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

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 Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters 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 matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

	Revenue from Contracts with Customers
Description of the Matter	As described in Note 1 to the consolidated financial statements, the Company derives its revenue from subscription fees from customers for access to its platform, which it recognizes ratably over the related contractual term. The Company‘s revenue recognition process involves several applications responsible for the initiation, processing, and recording of transactions from the Company’s various sales channels, and the calculation of revenue in accordance with the Company’s accounting policy. Auditing the Company's accounting for revenue from contracts with customers was challenging and complex due to the high volume of individually-low-monetary-value transactions, dependency on the effective design and operation of multiple applications, some of which are specifically designed for the Company’s business, and the use of multiple data sources in the revenue recognition process.

How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design, and tested the operating effectiveness of internal controls over the Company’s accounting for revenue from contracts with customers. For example, with the assistance of IT professionals, we tested the controls over the initiation and billing of new and recurring subscriptions, the provisioning of customers, and the Company’s cash to billings reconciliation process. We also tested the controls related to the key application interfaces between the provisioning, billing, and accounting systems, which included controls related to access to the relevant applications and data and changes to the relevant systems and interfaces, as well as controls over the configuration of the relevant applications. To test the Company’s accounting for revenue from contracts with customers, we performed substantive audit procedures that included, among others, testing on a sample basis the completeness and accuracy of the underlying data within the Company’s billing system, performing data analytics by extracting data from the system to evaluate the completeness and accuracy of recorded revenue and deferred revenue amounts, tracing a sample of sales transactions to source data, and testing a sample of cash to billings reconciliations.
	Accounting for Acquisition of JN Projects, Inc. (d/b/a HelloSign)
Description of the Matter	As disclosed in Note 5 to the consolidated financial statements, on February 8, 2019, the Company completed its acquisition of JN Projects, Inc. (d/b/a HelloSign) for cash consideration of $177.9 million. The transaction was accounted for as a business combination in accordance with ASC 805. Auditing the Company's accounting for its acquisition of HelloSign was complex due to the significant estimation required by management to determine the fair value of the acquired customer relationship ($20.5 million) and developed technology ($19.6 million) intangible assets. The Company applied the multi-period excess earnings method to value the customer relationship intangible asset and applied the replacement cost method to value the developed technology intangible asset. These methods required the development of certain key assumptions, including discount rates, projected revenue growth rates, customer attrition rates, and costs to recreate technology. Additionally, the Company’s estimation of projected market-participant synergies involved significant judgment. These assumptions, taken together, have a significant effect on the estimated fair value of the acquired intangible assets, and could be impacted by future economic and market conditions.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design, and tested the operating effectiveness of internal controls over the Company’s accounting for business combinations. For example, we tested the controls over the recognition and determination of the fair value of acquired intangible assets, including the development and review of the valuation models and underlying assumptions used to develop such estimates. We reviewed historical results and performed inquiries to validate the completeness of the identified intangible assets. To test the fair value of the customer relationship and developed technology intangible assets, we performed substantive audit procedures that included, among others, involving our valuation specialists to assist with our evaluation of the Company’s selection of valuation methodologies, testing the significant assumptions used to develop the prospective financial information, and testing the completeness and accuracy of the underlying data supporting the significant assumptions and estimates. For example, we compared the significant assumptions to current industry, market and economic trends, and to the historical results of the acquired business. Specifically, when assessing the key assumptions, we focused on discount rates, projected revenue growth rates, customer attrition rates, and costs to recreate technology.

/s/ Ernst & Young LLP

We have served as the Company’s auditor since 2013.

San Francisco, California
February 21, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on Internal Control Over Financial Reporting

We have audited Dropbox, Inc.'s internal control over financial reporting as of December 31, 2019, 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, Dropbox, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, 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 December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and our report dated February 21, 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 Francisco, California
February 21, 2020

DROPBOX, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except for par value)

	As of December 31,	
	2019	**2018**
Assets		
Current assets:		
Cash and cash equivalents	$ 551.3	$ 519.3
Short-term investments	607.7	570.0
Trade and other receivables, net	36.7	28.6
Prepaid expenses and other current assets	47.5	92.3
Total current assets	1,243.2	1,210.2
Property and equipment, net	445.3	310.6
Operating lease right-of-use asset	657.9	—
Intangible assets, net	47.4	14.7
Goodwill	234.5	96.5
Other assets	70.9	62.1
Total assets	$ 2,699.2	$ 1,694.1
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 40.7	$ 33.3
Accrued and other current liabilities	161.9	164.5
Accrued compensation and benefits	101.4	80.9
Operating lease liability	79.9	—
Finance lease obligation	76.7	73.8
Deferred revenue	554.2	485.0
Total current liabilities	1,014.8	837.5
Operating lease liability, non-current	711.9	—
Finance lease liability, non-current	138.2	89.9
Other non-current liabilities	25.9	89.9
Total liabilities	1,890.8	1,017.3
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Convertible preferred stock, $0.00001 par value; no shares authorized, issued and outstanding as of December 31, 2019; no shares authorized, issued and outstanding as of December 31, 2018		—
Preferred stock, $0.00001 par value; 240.0 shares authorized and no shares issued and outstanding as of December 31, 2019; 240.0 shares authorized and no shares issued and outstanding as of December 31, 2018	—	—
Common stock, $0.00001 par value; Class A common stock - 2,400.0 shares authorized and 255.8 shares issued and outstanding as of December 31, 2019; 2,400.0 shares authorized and 211.0 shares issued and outstanding as of December 31, 2018; Class B common stock - 475.0 shares authorized and 161.2 shares issued and outstanding as of December 31, 2019; 475.0 shares authorized and 198.6 issued and outstanding as of December 31, 2018; Class C common stock - 800.0 shares authorized and no shares issued and outstanding as of December 31, 2019 and as of December 31, 2018	—	—
Additional paid-in capital	2,531.3	2,337.5
Accumulated deficit	(1,726.2)	(1,659.5)
Accumulated other comprehensive income (loss)	3.3	(1.2)
Total stockholders' equity	808.4	676.8
Total liabilities and stockholders' equity	$ 2,699.2	$ 1,694.1

See accompanying Notes to Consolidated Financial Statements.

DROPBOX, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share data)

	Year ended December 31,		
	2019	2018	2017
Revenue	$ 1,661.3	$ 1,391.7	$ 1,106.8
Cost of revenue[1]	411.0	394.7	368.9
Gross profit	1,250.3	997.0	737.9
Operating expenses[1][2]:			
Research and development	662.1	768.2	380.3
Sales and marketing	423.3	439.6	314.0
General and administrative[3]	245.4	283.2	157.3
Total operating expenses	1,330.8	1,491.0	851.6
Loss from operations	(80.5)	(494.0)	(113.7)
Interest income (expense), net	12.5	7.1	(11.0)
Other income (expense), net	16.0	6.8	13.2
Loss before income taxes	(52.0)	(480.1)	(111.5)
Benefit from (provision for) income taxes	(0.7)	(4.8)	(0.2)
Net loss	$ (52.7)	$ (484.9)	$ (111.7)
Net loss per share attributable to common stockholders, basic and diluted	$ (0.13)	$ (1.35)	$ (0.57)
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	411.6	358.6	195.9

(1) Includes stock-based compensation as follows (in millions):

	Year ended December 31,		
	2019	2018	2017
Cost of revenue	$ 15.8	$ 47.0	$ 12.2
Research and development	147.6	368.2	93.1
Sales and marketing	31.4	94.3	33.7
General and administrative	66.4	140.6	25.6

(2) During the year ended December 31, 2018, the Company recognized the cumulative unrecognized stock-based compensation of $418.7 million related to the two-tier restricted stock units upon the effectiveness of the Company's registration statement for its initial public offering. See Note 1, "Description of the Business and Summary of Significant Accounting Policies" for further details.

(3) During the year ended the year ended December 31, 2017, general and administrative expense includes $9.4 million for a non-cash charitable contribution and $1.9 million of cash contributions to the Dropbox Charitable Foundation, a related party. See Note 15, "Related Party Transactions" for further details.

See accompanying Notes to Consolidated Financial Statements.

DROPBOX, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In millions)

	Year ended December 31,		
	2019	2018	2017
Net loss	$ (52.7)	$ (484.9)	$ (111.7)
Other comprehensive income (loss), net of tax:			
Change in foreign currency translation adjustments	2.9	(4.9)	5.2
Change in net unrealized losses on short-term investments	1.6	(0.5)	—
Total other comprehensive income (loss), net of tax	$ 4.5	$ (5.4)	$ 5.2
Comprehensive loss	$ (48.2)	$ (490.3)	$ (106.5)

See accompanying Notes to Consolidated Financial Statements.

DROPBOX, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In millions)

	Convertible preferred stock		Class A and Class B common stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Total stockholders' equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2016	147.6	$ 615.3	187.1	$ —	$ 446.0	$ (937.5)	$ (1.0)	$ 122.8
Cumulative-effect adjustment from adoption of ASU 2016-09	—	—	—	—	0.5	(0.5)	—	—
Release of restricted stock units	—	—	14.6	—	—	—	—	—
RSUs repurchased for tax withholdings on release of restricted stock	—	—	(5.5)	—	(87.9)	—	—	(87.9)
Donation of common stock to charitable foundation	—	—	0.6	—	9.4	—	—	9.4
Exercise of stock options and awards	—	—	0.2	—	0.5	—	—	0.5
Repurchase of unvested common stock (related to early exercised stock options)	—	—	(0.2)	—	—	—	—	—
Stock-based compensation	—	—	—	—	164.6	—	—	164.6
Other comprehensive income	—	—	—	—	—	—	5.2	5.2
Net loss	—	—	—	—	—	(111.7)	—	(111.7)
Balance at December 31, 2017	147.6	615.3	196.8	—	533.1	(1,049.7)	4.2	102.9
Release of restricted stock units	—	—	40.4	—	—	—	—	—
RSUs repurchased for tax withholdings on release of restricted stock	—	—	(15.6)	—	(226.9)	(124.9)	—	(351.8)
Conversion of preferred stock to common stock in connection with initial public offering	(147.6)	(615.3)	147.6	—	615.3	—	—	—
Issuance of common stock in connection with initial public offering and private placement, net of underwriters' discounts and commissions and issuance costs	—	—	37.0	—	739.7	—	—	739.7
Exercise of stock options and awards	—	—	3.4	—	26.2	—	—	26.2
Stock-based compensation	—	—	—	—	650.1	—	—	650.1
Other comprehensive income (loss)	—	—	—	—	—	—	(5.4)	(5.4)
Net loss	—	—	—	—	—	(484.9)	—	(484.9)
Balance at December 31, 2018	—	—	409.6	—	2,337.5	(1,659.5)	(1.2)	676.8
Cumulative-effect from adoption of ASC 842					—	1.0	—	1.0
Release of restricted stock units	—	—	11.2	—	—	—	—	—
RSUs repurchased for tax withholdings on release of restricted stock	—	—	(4.1)	—	(70.4)	(15.0)	—	(85.4)

Exercise of stock options and awards	—	—	0.3	—	2.2	—	—	2.2
Assumed stock options in connection with acquisition					0.8	—	—	0.8
Stock-based compensation	—	—	—	—	261.2	—	—	261.2
Other comprehensive income (loss)	—	—	—	—	—	—	4.5	4.5
Net loss	—	—	—	—	—	(52.7)	—	(52.7)
Balance at December 31, 2019	—	$ —	417.0	$ —	$ 2,531.3	$ (1,726.2)	$ 3.3	$ 808.4

See accompanying Notes to Consolidated Financial Statements.

DROPBOX, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Year ended December 31,		
	2019	2018	2017
Cash flow from operating activities			
Net loss	$ (52.7)	$ (484.9)	$ (111.7)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	173.5	166.8	181.8
Stock-based compensation	261.2	650.1	164.6
Amortization of deferred commissions	17.5	12.1	6.6
Donation of common stock to charitable foundation	—	—	9.4
Other	(16.6)	(1.9)	(1.7)
Changes in operating assets and liabilities:			
Trade and other receivables, net	(7.5)	0.1	(14.4)
Prepaid expenses and other current assets	(18.2)	(47.9)	(18.2)
Other assets	61.2	(11.2)	(10.6)
Accounts payable	6.4	(1.7)	16.2
Accrued and other current liabilities	23.0	40.3	34.0
Accrued compensation and benefits	19.1	25.0	14.4
Deferred revenue	68.7	66.4	64.3
Other non-current liabilities	(62.4)	12.2	(4.4)
Tenant improvement allowance reimbursement	55.3	—	—
Net cash provided by operating activities	528.5	425.4	330.3
Cash flow from investing activities			
Capital expenditures	(136.1)	(63.0)	(25.3)
Purchase of intangible assets	(1.7)	(3.0)	(0.8)
Business combinations, net of cash acquired	(173.9)	—	—
Purchases of short-term investments	(775.4)	(850.4)	—
Proceeds from maturities of short-term investments	294.8	212.4	—
Proceeds from sales of short-term investments	456.1	71.2	—
Other	16.2	(1.0)	2.2
Net cash used in investing activities	(320.0)	(633.8)	(23.9)
Cash flow from financing activities			
Proceeds from initial public offering and private placement, net of underwriters' discounts and commissions	—	746.6	—
Payments of deferred offering costs	—	(4.5)	(2.5)
Shares repurchased for tax withholdings on release of restricted stock	(85.4)	(351.9)	(87.9)
Proceeds from issuance of common stock, net of repurchases	2.2	26.2	0.5
Principal payments on finance lease obligations[1]	(92.9)	(109.1)	(133.0)
Other	(0.6)	(6.5)	(8.8)
Net cash (used in) provided by financing activities	(176.7)	300.8	(231.7)
Effect of exchange rate changes on cash and cash equivalents	0.2	(3.1)	2.6
Change in cash and cash equivalents	32.0	89.3	77.3
Cash and cash equivalents—beginning of period	519.3	430.0	352.7
Cash and cash equivalents—end of period	$ 551.3	$ 519.3	$ 430.0
Supplemental cash flow data:			

Cash paid during the period for:			
Interest	$ 9.8	$ 8.3	$ 10.8
Income taxes	$ 0.6	$ 1.4	$ 3.4
Non-cash investing and financing activities:			
Property and equipment received and accrued in accounts payable and accrued liabilities	$ 19.9	$ 7.3	$ 2.4
Property and equipment acquired under finance leases	$ 144.1	$ 98.5	$ 44.9
Deferred offering costs accrued in accounts payable and accrued liabilities	$ —	$ —	$ 1.6

(1) Includes amounts attributable to related party transactions. See Note 15, "Related Party Transactions" for further details.

See accompanying Notes to Consolidated Financial Statements.

DROPBOX, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in tables are in millions except per share data, or as otherwise noted)

Note 1. Description of the Business and Summary of Significant Accounting Policies

Business

Dropbox, Inc. (the “Company” or “Dropbox”) is the world’s first smart workspace. Dropbox was incorporated in May 2007 as Evenflow, Inc., a Delaware corporation, and changed its name to Dropbox, Inc. in October 2009. The Company is headquartered in San Francisco, California.

Basis of presentation and consolidation

The accompanying consolidated financial statements have been prepared in accordance with the United States of America generally accepted accounting principles (“GAAP”). The accompanying consolidated financial statements include the accounts of Dropbox and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Initial public offering and private placement

On March 27, 2018, the Company closed its initial public offering ("IPO"), in which the Company issued and sold 26,822,409 shares of Class A common stock at $21.00 per share. The Company received aggregate proceeds of $538.2 million, net of underwriters' discounts and commissions, before deducting offering costs of $6.9 million, net of reimbursements.

Immediately prior to the closing of the Company’s IPO, 147,310,563 shares of convertible preferred stock outstanding converted into an equivalent number of shares of Class B common stock. Further, pursuant to transfer agreements with certain of the Company’s stockholders, 258,620 shares of the Company’s convertible preferred stock and 2,609,951 shares of the Company’s Class B common stock automatically converted into an equivalent number of shares of Class A common stock.

Immediately subsequent to the closing of the Company's IPO, Salesforce Ventures LLC purchased 4,761,905 shares of Class A common stock from the Company at $21.00 per share. The Company received aggregate proceeds of $100.0 million and did not pay any underwriting discounts or commissions with respect to the shares that were sold in the private placement.

On March 28, 2018, the underwriters exercised their option to purchase an additional 5,400,000 shares of the Company's Class A common stock at $21.00 per share. This transaction closed on April 3, 2018, resulting in additional proceeds of $108.4 million, net of underwriters' discounts and commissions.

The Company’s net proceeds from the IPO, the concurrent private placement, and underwriters' option totaled $746.6 million, before deducting offering costs of $6.9 million, net of reimbursements.

Upon the effectiveness of the registration statement for the Company's IPO, which was March 22, 2018, the liquidity event-related performance vesting condition, referred to as the Performance Vesting Condition, associated with the Company's two-tier restricted stock units ("RSUs") was satisfied. As a result, the Company recognized the cumulative unrecognized stock-based compensation related to its two-tier RSUs using the accelerated attribution method of $418.7 million attributable to service prior to such effective date. The remaining unamortized stock-based compensation as of December 31, 2018 related to the two-tier RSUs of $0.1 million was recognized in 2019.

During the first quarter of 2018, the Company's Board of Directors approved the acceleration of the Performance Vesting Condition for which the service condition was satisfied, to occur upon the effectiveness of the registration statement for the Company's IPO, rather than six months following an IPO. As a result, the Company released 26.8 million shares of common stock underlying the two-tier RSUs for which the Performance Vesting Condition was satisfied, and recorded $13.9 million in employer related payroll tax expenses associated with these same awards. See "—Stock-based compensation" for further discussion regarding the Company's two-tier RSUs.

Stock Split

On March 7, 2018, the Company effected a 1-for-1.5 reverse stock split of its capital stock. All of the share and per share information referenced throughout the consolidated financial statements and notes to the consolidated financial statements have been retroactively adjusted to reflect this reverse stock split.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the Company's consolidated financial statements and accompanying notes. These estimates are based on information available as of the date of the consolidated financial statements. Management evaluates these estimates and assumptions on a regular basis. Actual results may differ materially from these estimates.

The Company's most significant estimate and use of judgment involves the valuation of acquired intangible assets and goodwill from business combinations.

Financial information about segments and geographic areas

The Company manages its operations and allocates resources as a single operating segment. Further, the Company manages, monitors, and reports its financials as a single reporting segment. The Company's chief operating decision-maker is its Chief Executive Officer, who reviews financial information presented on a consolidated basis for purposes of making operating decisions, assessing financial performance, and allocating resources. See Note 16, "Geographic Areas" for information regarding the Company's long-lived assets and revenue by geography.

Foreign currency transactions

The assets and liabilities of the Company's foreign subsidiaries are translated from their respective functional currencies into U.S. dollars at the exchange rates in effect at the balance sheet date. Revenue and expense amounts are translated at the average exchange rate for the period. Foreign currency translation gains and losses are recorded in other comprehensive income (loss).

Gains and losses realized from foreign currency transactions (those transactions denominated in currencies other than the foreign subsidiaries' functional currency) are included in other income, net. Monetary assets and liabilities are remeasured using foreign currency exchange rates at the end of the period, and non-monetary assets are remeasured based on historical exchange rates. The Company recorded net foreign currency transaction losses of $0.8 million and $1.9 million in the years ended December 31, 2019 and 2018, respectively.

Revenue recognition

The Company derives its revenue from subscription fees from customers for access to its platform. The Company's policy is to exclude sales and other indirect taxes when measuring the transaction price of its subscription agreements. The Company accounts for revenue contracts with customers 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, the Company satisfies a performance obligation

The Company's subscription agreements generally have monthly or annual contractual terms and a small percentage have multi-year contractual terms. Revenue is recognized ratably over the related contractual term beginning on the date that the platform is made available to a customer. Access to the platform represents a series of distinct services as the Company continually provides access to, and fulfills its obligation to the end customer over the subscription term. The series of distinct services represents a single performance obligation that is satisfied over time. The Company recognizes revenue ratably because the customer receives and consumes the benefits of the platform throughout the contract period. The Company's contracts are generally non-cancelable.

The Company bills in advance for monthly contracts and typically bills annually in advance for contracts with terms of one year or longer. The Company also recognizes an immaterial amount of contract assets, or unbilled receivables, primarily relating to consideration for services completed but not billed at the reporting date. Unbilled receivables are classified as receivables when the Company has the right to invoice the customer.

The Company records contract liabilities when cash payments are received or due in advance of performance to deferred revenue. Deferred revenue primarily relates to the advance consideration received from the customer.

The price of subscriptions is generally fixed at contract inception and therefore, the Company's contracts do not contain a significant amount of variable consideration. As a result, the amount of revenue recognized in the periods presented from performance obligations satisfied (or partially satisfied) in previous periods was not material.

The Company recognized $481.1 million, $411.6 million, and $353.0 million of revenue during the years ended December 31, 2019, 2018 and 2017, respectively, that was included in the deferred revenue balances at the beginning of their respective periods.

As of December 31, 2019, future estimated revenue related to performance obligations that were unsatisfied or partially unsatisfied at the end of the reporting period was $613.4 million. The substantial majority of the unsatisfied performance obligations will be satisfied over the next twelve months.

Stock-based compensation

The Company has granted RSUs to its employees and members of the Board of Directors under the 2008 Equity Incentive Plan ("2008 Plan"), the 2017 Equity Incentive Plan ("2017 Plan"), and the 2018 Equity Incentive Plan ("2018 Plan" and together with the 2008 Plan and 2017 Plan, the "Dropbox Equity Incentive Plans"). The Company has granted the following types of RSUs under the Dropbox Equity Incentives Plans:

- One-tier RSUs, which have a service-based vesting condition over a four-year period. These awards typically have a cliff vesting period of one year and continue to vest quarterly thereafter. The Company began granting one-tier RSUs under its 2008 Plan in August 2015, and it continues to grant one-tier RSUs under its 2018 Plan. The Company recognizes compensation expense associated with one-tier RSUs ratably on a straight-line basis over the requisite service period and accounts for forfeitures in the period in which they occur.

- Two-tier RSUs, which had both a service-based vesting condition and a Performance Vesting Condition. The Performance Vesting Condition was satisfied on the effectiveness of the registration statement related to the Company's IPO. Prior to August 2015, the Company granted two-tier RSUs under the 2008 Plan. The last grant date for two-tier RSUs was in May 2015. The Company recognized compensation expense associated with two-tier RSUs using the accelerated attribution method over the requisite service period.

As of December 31, 2019, the Company only had one-tier RSUs outstanding under the Dropbox Equity Incentive Plans.

Since August 2015, the Company has granted one-tier RSUs as the only stock-based payment awards to its employees, with the exception of awards granted to its co-founders and certain executives, and has not granted any stock options to employees since then. The fair values of the common stock underlying the RSUs granted in periods prior to the date of the Company's IPO were determined by the Board of Directors, with input from management and contemporaneous third-party valuations, which were performed at least quarterly. For valuations after the Company's IPO, the Board of Directors determines the fair value of each share of underlying common stock based on the closing price of the Company's Class A common stock as reported on the Nasdaq Global Select Market on the date of the grant.

In connection with the acquisition of JN Projects, Inc. (d/b/a HelloSign) ("HelloSign"), the Company assumed unvested stock options that had been granted under the HelloSign's 2011 Equity Incentive Plan. The fair value of options assumed were based upon the Black-Scholes option-pricing model, see Note 12, "Stockholders' Equity" for further information.

In December 2017, the Board of Directors approved a grant to the Company’s co-founders of restricted stock awards (“RSAs”) with respect to 14.7 million shares of Class A Common Stock in the aggregate (collectively, the “Co-Founder Grants”), of which 10.3 million RSAs were granted to Mr. Houston, the Company’s co-founder and Chief Executive Officer, and 4.4 million RSAs were granted to Mr. Ferdowsi, the Company’s co-founder and Director. These Co-Founder Grants have service-based, market-based, and performance-based vesting conditions. The Company estimated the grant date fair value of the Co-Founder Grants using a model based on multiple stock price paths developed through the use of a Monte Carlo simulation that incorporates into the valuation the possibility that the Stock Price Targets may not be satisfied. See Note 12, "Stockholders' Equity" for further information.

Cost of revenue

Cost of revenue consists primarily of expenses associated with the storage, delivery, and distribution of the Company’s platform for both paying users and free users, also known as Basic users. These costs, which are referred to as infrastructure costs, include depreciation of servers located in co-location facilities that the Company leases and operates, rent and facilities expense for those datacenters, network and bandwidth costs, support and maintenance costs for infrastructure equipment, and payments to third-party datacenter service providers. Cost of revenue also includes costs, such as salaries, bonuses, benefits, travel-related expenses, and stock-based compensation, which are referred to as employee-related costs, for employees whose primary responsibilities relate to supporting the Company’s infrastructure and delivering user support. Other non-employee costs included in cost of revenue include credit card fees related to processing customer transactions and allocated overhead, such as facilities, including rent, utilities, depreciation on leasehold improvements and other equipment shared by all departments, and shared information technology costs. In addition, cost of revenue includes amortization of developed technologies, professional fees related to user support initiatives, and property taxes related to the datacenters.

Advertising and promotional expense

Advertising and promotional expenses are included in sales and marketing expenses within the consolidated statements of operations and are expensed when incurred. Advertising and promotional expenses were $88.8 million, $100.9 million, and $80.1 million in the years ended December 31, 2019, 2018, and 2017, respectively.

Cash and cash equivalents

Cash consists primarily of cash on deposit with banks and includes amounts in transit from payment processors for credit and debit card transactions, which typically settle within five business days. Cash equivalents include highly liquid investments purchased with an original maturity date of 90 days or less from the date of purchase.

Short-term investments

The Company’s short-term investments are primarily comprised of corporate notes and obligations, U.S. Treasury securities, certificates of deposit, asset-backed securities, commercial paper, U.S. agency obligations, supranational securities, and municipal securities. The Company determines the appropriate classification of its short-term investments at the time of purchase and reevaluates such designation at each balance sheet date. The Company has classified and accounted for its short-term investments as available-for-sale securities as the Company may sell these securities at any time for use in its current operations or for other purposes, even prior to maturity. As a result, the Company classifies its short-term investments, including securities with stated maturities beyond twelve months, within current assets in the consolidated balance sheets.

The Company's short-term investments are classified as available-for-sale securities and are recorded at fair value each reporting period. Unrealized gains and losses on these short-term investments are reported as a separate component of accumulated other comprehensive income (loss) in the consolidated balance sheets until realized. Interest income is reported within interest income, net in the consolidated statements of operations. The Company periodically evaluates its short-term investments to assess whether those with unrealized loss positions are other-than-temporarily impaired. The Company considers various factors in determining whether to recognize an impairment charge, including the length of time the investment has been in a loss position, the extent to which the fair value is less than the Company’s cost basis, and the financial condition and near-term prospects of the investee. Realized gains and losses are determined based on the specific identification method and are reported in other income, net in the consolidated statements of operations. If the Company determines that the decline in an investment’s fair value is other-than-temporary, the difference is recognized as an impairment loss in the consolidated statements of operations.

Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash, cash equivalents, accounts receivable, and short-term investments. The Company places its cash and cash equivalents, and short-term investments with well-established financial institutions.

Trade accounts receivables are typically unsecured and are derived from revenue earned from customers located around the world. Two distribution partners accounted for 10% and 27% of total trade and other receivables, net as of December 31, 2019. Two distribution partners accounted for 14% and 23% of total trade and other receivables, net as of December 31, 2018. No customer accounted for more than 10% of the Company's revenue in the periods presented.

Trade and other receivables, net

Trade and other receivables, net consists primarily of trade receivables that are recorded at the invoice amount, net of an allowance for doubtful accounts.

The allowance for doubtful accounts is based on the Company's assessment of the collectability of accounts. The Company regularly reviews the adequacy of the allowance for doubtful accounts by considering the age of each outstanding invoice, the collection history of each customer, and other relevant factors to determine the appropriate amount of the allowance. Accounts receivable deemed uncollectable are charged against the allowance for doubtful accounts when identified. The Company's allowance for doubtful accounts was $0.5 million and $1.2 million as of December 31, 2019 and 2018, respectively.

Non-trade receivables

The Company records non-trade receivables to reflect amounts due for activities outside of its subscription agreements, such as non-current notes receivable. Non-trade receivables totaled $7.4 million and $46.2 million, as of December 31, 2019 and 2018, respectively, and are classified within prepaid expenses and other current assets in the accompanying consolidated balance sheets. See "—Lease obligations" for further discussion.

Deferred commissions, net

Deferred commissions, net is stated as gross deferred commissions less accumulated amortization. Sales commissions earned by the Company's sales force and third-party resellers, as well as related payroll taxes, are considered to be incremental and recoverable costs of obtaining a contract with a customer. These amounts have been capitalized as deferred commissions within prepaid and other current assets and other assets on the consolidated balance sheets. The Company deferred incremental costs of obtaining a contract of $28.1 million and $32.0 million during the years ended December 31, 2019 and 2018, respectively.

Deferred commissions, net included in prepaid and other current assets were $19.9 million and $14.5 million as of December 31, 2019 and 2018, respectively. Deferred commissions, net included in other assets were $43.5 million and $38.3 million as of December 31, 2019 and 2018, respectively.

Deferred commissions are typically amortized over a period of benefit of five years. The period of benefit was estimated by considering factors such as historical customer attrition rates, the useful life of the Company's technology, and the impact of competition in its industry. Amortized costs were $17.5 million, $12.1 million, and $6.6 million for the years ended December 31, 2019, 2018, and 2017, respectively. Amortized costs are included in sales and marketing expense in the accompanying consolidated statements of operations. There was no impairment loss in relation to the deferred costs for any period presented.

Property and equipment, net

Equipment is stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of the related asset, which is generally three to seven years. Leasehold improvements are amortized on a straight-line basis over the shorter of their estimated useful lives or the term of the related lease.

(Amounts in tables are in millions except per share data, or as otherwise noted)

The following table presents the estimated useful lives of property and equipment:

Property and equipment	Useful life
Buildings	20 to 30 years
Datacenter and other computer equipment	3 to 5 years
Office equipment and other	3 to 7 years
Leasehold improvements	Lesser of estimated useful life or remaining lease term

Equity investments

The Company holds an equity investment in a publicly traded company in which the Company does not have a controlling interest or significant influence. The investment is measured using quoted prices in its active market with changes recorded in other income, net, in the condensed consolidated statement of operations. As of December 31, 2019, the Company's equity investment had a carrying value of $9.8 million and is included in other assets in the condensed consolidated balance sheet. The Company recognized net gains of $4.5 million related to changes in quoted prices in the investment’s active market during the twelve month period ended December 31, 2019. The investment is classified as a Level 1 investment within the fair value hierarchy.

Lease obligations

The Company leases office space, datacenters, and equipment under non-cancelable finance operating leases with various expiration dates through 2033. The Company determines if an arrangement contains a lease at inception.

Operating lease right-of-use assets and lease liabilities are recognized at the present value of the future lease payments at commencement date. The interest rate implicit in the Company’s operating leases is not readily determinable, and therefore an incremental borrowing rate is estimated to determine the present value of future payments. The estimated incremental borrowing rate factors in a hypothetical interest rate on a collateralized basis with similar terms, payments, and economic environments. Operating lease right-of-use assets also include any prepaid lease payments and lease incentives.

Certain of the operating lease agreements contain rent concession, rent escalation, and option to renew provisions. Rent concession and rent escalation provisions are considered in determining the single lease cost to be recorded over the lease term. Single lease cost is recognized on a straight-line basis over the lease term commencing on the date the Company has the right to use the leased property. The lease terms may include options to extend or terminate the lease. The Company generally uses the base, non-cancelable, lease term when recognizing the lease assets and liabilities, unless it is reasonably certain that the option will be exercised.

In addition, certain of the Company’s operating lease agreements contain tenant improvement allowances from its landlords. These allowances are accounted for as lease incentives and decrease the Company's right-of-use asset and reduce single lease cost over the lease term.

The Company leases certain equipment from various third parties, through equipment finance leases. These leases either include a bargain purchase option, a full transfer of ownership at the completion of the lease term, or the terms of the leases are at least 75 percent of the useful lives of the assets and are therefore classified as finance leases. These leases are capitalized in property and equipment, net and the related amortization of assets under finance leases is included in depreciation and amortization expense in the Company’s consolidated statements of operations. Initial asset values and finance lease obligations are based on the present value of future minimum lease payments.

The Company’s finance lease agreements may contain lease and non-lease components. The non-lease components include payments for support on infrastructure equipment obtained via finance leases, which when not significant in relation to the overall agreement, are combined with the lease components and accounted for together as a single lease component.

Internal use software

The Company capitalizes certain costs related to developed or modified software solely for its internal use and cloud based applications used to deliver its platform. The Company capitalizes costs during the application development stage once the preliminary project stage is complete, management authorizes and commits to funding the project, and it is probable that the project will be completed and that the software will be used to perform the function intended. Costs related to preliminary project activities and post implementation activities are expensed as incurred. Capitalized internal use software costs were not material to the Company's consolidated financial statements during the years ended December 31, 2019, 2018, and 2017.

Business combinations

The Company uses best estimates and assumptions, including but not limited to, future expected cash flows, expected asset lives, and discount rates, to assign a fair value to the tangible and intangible assets acquired and liabilities assumed in business combinations as of the acquisition date. These estimates are inherently uncertain and subject to refinement. During the measurement period, which may be up to one year from the acquisition date, adjustments to the fair value of these tangible and intangible assets acquired and liabilities assumed may be recorded, with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Company's consolidated statements of operations.

Long-lived assets, including goodwill and other acquired intangible assets, net

The Company evaluates the recoverability of its property and equipment and finite-lived intangible assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. The evaluation is performed at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. 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 determines that the carrying amount of specific property and equipment or intangible assets is not recoverable, the carrying amount of such assets is reduced to its fair value.

The Company reviews goodwill for impairment at least annually in the fourth quarter, or more frequently if events or changes in circumstances would more likely than not reduce the fair value of its single reporting unit below its carrying value.

The Company has not recorded impairment charges on property and equipment, goodwill, or intangible assets for the periods presented in these consolidated financial statements.

Acquired property and equipment and finite-lived intangible assets are amortized over their useful lives. The Company evaluates the estimated remaining useful life of these assets when events or changes in circumstances warrant a revision to the remaining period of amortization. If the Company revises the estimated useful life assumption for any asset, the remaining unamortized balance is amortized or depreciated over the revised estimated useful life on a prospective basis.

Income taxes

Deferred income tax balances reflect the effects of temporary differences between the financial reporting and tax bases of the Company's assets and liabilities using enacted tax rates expected to apply when taxes are actually paid or recovered. In addition, deferred tax assets are recorded for net operating loss and credit carryforwards.

A valuation allowance is provided against deferred tax assets unless it is more likely than not that they will be realized based on all available positive and negative evidence. Such evidence includes, but is not limited to, recent cumulative earnings or losses, expectations of future taxable income by taxing jurisdiction, and the carry-forward periods available for the utilization of deferred tax assets.

The Company uses a two-step approach to recognizing and measuring uncertain income tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit. The second step is to measure the tax benefit as the largest amount, which is more than 50% likely of being realized upon ultimate settlement. The Company recognizes interest and penalties related to unrecognized tax benefits as income tax expense.

Although the Company believes that it has adequately reserved for its uncertain tax positions, it can provide no assurance that the final tax outcome of these matters will not be materially different. The Company evaluates its uncertain tax positions on a regular basis and evaluations are based on a number of factors, including changes in facts and circumstances, changes in tax law, such as the 2017 Tax Cuts and Jobs Act ("2017 Tax Reform Act"), correspondence with tax authorities during the course of an audit, and effective settlement of audit issues.

To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made and could have a material impact on the Company's financial condition and results of operations.

Fair value measurement

The Company applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value measurements for assets and liabilities, the Company considers the principal or most advantageous market in which it would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as risks inherent in valuation techniques, transfer restrictions, and credit risk. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

Recently issued accounting pronouncements not yet adopted

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. It also eliminates the concept of other-than-temporary impairment and requires credit losses related to available-for-sale debt securities to be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. These changes will result in more timely recognition of credit losses. The guidance is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Company does not expect the adoption of ASU No. 2016-13 to have a significant impact on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820)*, which amends disclosure requirements for fair value measurements by requiring new disclosures, modifying existing requirements, and eliminating others. The amendments are the result of a broader disclosure project, which aims to improve the effectiveness of disclosures. ASU No. 2018-13 is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. The Company does not expect the adoption of ASU No. 2018-13 to have a significant impact on its disclosures.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40), Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.* Under existing U.S. GAAP, there is diversity in practice in accounting for the costs of implementing cloud computing arrangements that are service contracts. The amendments in ASU No. 2018-15 amend the definition of a hosting arrangement and requires a customer in a hosting arrangement that is a service contract to capitalize certain costs as if the arrangement were an internal-use software project. The guidance is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. The Company does not expect the adoption of ASU No. 2018-15 to have a significant impact on its consolidated financial statements.

Recently adopted accounting pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Most prominent among the changes in the standard is the recognition of right-of-use assets ("ROU assets") and lease liabilities by lessees for certain leases classified as operating leases under current GAAP. The Company made the policy election to not recognize a lease liability or right-of-use asset for short-term operating leases.

The Company adopted the standard as of January 1, 2019, using the modified retrospective approach and has elected to use the optional transition method which allows the Company to apply the guidance of ASC 840, including disclosure requirements, in the comparative periods presented. In addition, the Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Company to carry forward the historical lease classification related to agreements entered prior to adoption.

The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. The adoption of the new standard resulted in the recording of operating ROU assets and lease liabilities of approximately $431.7 million and $502.4 million, respectively, as of January 1, 2019.

The accounting for finance leases remained unchanged, except for the accounting for certain non-lease components. Lease and non-lease components will be accounted for as a single lease component if the non-lease component is determined to be insignificant to the total agreement.

The cumulative impact of transition to retained earnings, recorded as of the adoption date, was not material. The standard did not materially impact consolidated net earnings and had no impact on cash flows.

In February 2018, the FASB issued ASU No. 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. Under existing U.S. GAAP, the effects of changes in tax rates and laws on deferred tax balances are recorded as a component of income tax expense in the period in which the law was enacted. When deferred tax balances related to items originally recorded in accumulated other comprehensive income are adjusted, certain tax effects become stranded in accumulated other comprehensive income. The amendments in ASU No. 2018-02 allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the 2017 Tax Reform Act. The amendments in ASU No. 2018-02 also require certain disclosures about stranded tax effects. The Company adopted ASU No. 2018-02 on January 1, 2019. The adoption of the standard did not have a material impact on the Company's consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-07, *Improvements to Nonemployee Share-Based Payment Accounting.* Under existing U.S. GAAP, the measurement date for equity awards granted to nonemployees is the earlier of the performance commitment date or the date the performance is complete. The amendments in ASU No. 2018-07 allow for measurement of these awards on the grant date, consistent with equity awards granted to employees. The Company adopted ASU No. 2019-07 on January 1, 2019. The adoption of the standard did not have a material impact on the Company's consolidated financial statements.

Prior Period Reclassifications

Certain amounts in prior periods have been reclassified to conform with current period presentation.

(Amounts in tables are in millions except per share data, or as otherwise noted)

Note 2. Cash, Cash Equivalents and Short-Term Investments

The amortized cost, unrealized gains and losses and estimated fair value of the Company's cash, cash equivalents and short-term investments as of December 31, 2019 consisted of the following:

	Amortized cost	Unrealized gain	Unrealized loss	Estimated fair value
Cash	$ 105.0	$ —	$ —	$ 105.0
Cash equivalents				
Money market funds	444.3	—	—	444.3
Commercial paper	2.0	—	—	2.0
Total cash and cash equivalents	$ 551.3	$ —	$ —	$ 551.3
Short-term investments				
Corporate notes and obligations	285.5	1.2	(0.1)	286.6
U.S. Treasury securities	171.0	0.3	—	171.3
Asset backed securities	53.8	—	—	53.8
Certificates of deposit	38.2	—	—	38.2
U.S. agency obligations	27.2	—	—	27.2
Commercial paper	24.2	—	—	24.2
Supranational securities	4.0	—	—	4.0
Municipal securities	2.4	—	—	2.4
Total short-term investments	606.3	1.5	(0.1)	607.7
Total	$ 1,157.6	$ 1.5	$ (0.1)	$ 1,159.0

The amortized cost, unrealized gains and losses and estimated fair value of the Company's cash, cash equivalents and short-term investments as of December 31, 2018 consisted of the following:

	Amortized cost	Unrealized gain	Unrealized loss	Estimated fair value
Cash	$ 103.0	$ —	$ —	$ 103.0
Cash equivalents				
Money market funds	355.5	—	—	355.5
Commercial paper	27.4	—	—	27.4
U.S. Treasury securities	33.4			33.4
Total cash and cash equivalents	$ 519.3	$ —	$ —	$ 519.3
Short-term investments				
Corporate notes and obligations	269.6	0.1	(0.5)	269.2
U.S. Treasury securities	176	—	(0.1)	175.9
Certificates of deposit	70.6	—	—	70.6
U.S. agency obligations	37.1	—	—	37.1
Commercial paper	17.2	—	—	17.2
Total short-term investments	570.5	0.1	(0.6)	570.0
Total	$ 1,089.8	$ 0.1	$ (0.6)	$ 1,089.3

(Amounts in tables are in millions except per share data, or as otherwise noted)

Included in cash and cash equivalents is cash in transit from payment processors for credit and debit card transactions of $11.5 million and $11.9 million as of December 31, 2019 and December 31, 2018, respectively.

All short-term investments were designated as available-for-sale securities as of December 31, 2019.

The following table presents the contractual maturities of the Company's short-term investments as of December 31, 2019:

	Amortized cost	Estimated fair value
Due within one year	$ 275.9	$ 276.5
Due between one to three years	310.7	311.5
Due after three years	19.7	19.7
Total	$ 606.3	$ 607.7

The Company had 62 short-term investments in unrealized loss positions as of December 31, 2019. The short-term investments have been in unrealized loss positions for less than twelve months. The total fair value of such investments is $125.6 million with unrealized losses of $0.1 million. There were no material gross unrealized losses from available-for-sale securities and no material realized gains or losses from available-for-sale securities that were reclassified out of accumulated other comprehensive income for the year ended December 31, 2019.

For investments in available-for-sale debt securities that have unrealized losses, the Company evaluates whether (i) it has the intention to sell any of these investments and (ii) whether it is not more likely than not that it will be required to sell any of these investments before recovery of the entire amortized cost basis. Based on this evaluation, the Company determined that there were no other-than-temporary impairments associated with short-term investments as of December 31, 2019.

The Company recorded $22.8 million, $16.8 million, and $3.0 million in interest income from its cash, cash equivalents and short-term investments for the years ended December 31, 2019, 2018 and 2017, respectively.

Note 3. Fair Value Measurements

The Company measures its financial instruments at fair value each reporting period using a fair value hierarchy that prioritizes the use of observable inputs and minimizes 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.

The following table presents information about the Company's financial instruments that are measured at fair value on a recurring basis using the input categories discussed in Note 1:

DROPBOX, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in tables are in millions except per share data, or as otherwise noted)

	As of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Cash equivalents				
Money market funds	$ 444.3	$ —	$ —	$ 444.3
Commercial paper	—	2.0	—	2.0
Total Cash Equivalents	$ 444.3	$ 2.0	$ —	$ 446.3
Short-term investments				
Corporate notes and obligations	—	286.6	—	286.6
U.S. Treasury securities	—	171.3	—	171.3
Certificates of deposit	—	38.2	—	38.2
Asset-backed securities	—	53.8	—	53.8
Commercial paper	—	24.2	—	24.2
U.S. agency obligations	—	27.2	—	27.2
Supranational securities	—	4.0	—	4.0
Municipal securities	—	2.4	—	2.4
Total short-term investments	—	607.7	—	607.7
Equity Investments	9.8	—	—	9.8
Total	$ 454.1	$ 609.7	$ —	$ 1,063.8

	As of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Cash equivalents				
Money market funds	$ 355.5	$ —	$ —	$ 355.5
U.S Treasury securities	—	33.4		33.4
Commercial paper	—	27.4	—	27.4
Total Cash Equivalents	$ 355.5	$ 60.8	$ —	$ 416.3
Short-term investments				
Corporate notes and obligations	—	269.2	—	269.2
U.S. Treasury securities	—	175.9	—	175.9
Certificates of deposit	—	70.6	—	70.6
U.S agency obligations	—	37.1	—	37.1
Commercial paper		17.2		17.2
Total short-term investments	—	570.0	—	570.0
Total	$ 355.5	$ 630.8	$ —	$ 986.3

The Company had no transfers between levels of the fair value hierarchy.

The carrying amounts of certain financial instruments, including cash held in banks, accounts receivable and accounts payable approximate fair value due to their short-term maturities and are excluded from the fair value table above.

(Amounts in tables are in millions except per share data, or as otherwise noted)

Note 4. Property and Equipment, Net

Property and equipment, net consisted of the following:

	As of December 31,	
	2019	2018
Datacenter and other computer equipment	$ 749.3	$ 667.4
Furniture and fixtures	35.5	23.8
Leasehold improvements	211.4	150.5
Construction in progress	36.3	32.8
Total property and equipment	1,032.5	874.5
Accumulated depreciation and amortization	(587.2)	(563.9)
Property and equipment, net	$ 445.3	$ 310.6

The Company leases certain infrastructure from various third parties, through equipment finance leases. Infrastructure assets as of December 31, 2019 and 2018, respectively, included a total of $321.8 million and $362.8 million acquired under finance lease agreements. These leases are capitalized in property and equipment, and the related amortization of assets under finance leases is included in depreciation and amortization expense. The accumulated depreciation of the infrastructure assets under finance leases totaled $124.6 million and $211.7 million as of December 31, 2019 and 2018, respectively.

Construction in progress includes costs primarily related to construction of leasehold improvements for office buildings and datacenters.

In the third quarter of 2019, the Company relocated from its former corporate headquarters to its new corporate headquarters. During the third quarter, the Company completed recognizing depreciation expense on assets related to its former headquarters, and commenced depreciation expense related to assets for its new corporate headquarters. Depreciation expense related to property and equipment was $159.9 million and $158.6 million for the years ended December 31, 2019 and 2018 respectively.

Note 5. Business Combinations

On February 8, 2019, the Company acquired all outstanding stock of JN Projects, Inc. (d/b/a HelloSign) ("HelloSign"), which provides an e-signature and document workflow platform. The acquisition of HelloSign expands the Company's content collaboration capabilities to include additional business-critical workflows. The results of HelloSign operations have been included in the Company’s consolidated results of operations since the date of acquisition.

The purchase consideration transferred consisted of the following:

	Purchase consideration
Cash paid to common and preferred stockholders and vested option holders	$ 175.2
Transaction costs paid by Dropbox on behalf of HelloSign	2.4
Fair value of assumed HelloSign options attributable to pre-combination services (1)	0.8
Purchase price adjustments	(0.5)
Total purchase consideration	$ 177.9

(1) The fair value of options assumed were based upon the Black-Scholes option-pricing model.

In addition to the total purchase consideration above, the Company has compensation agreements with key HelloSign personnel consisting of $48.5 million in future cash payments subject to on-going employee service. The related expense will be recognized within research and development expenses over the required service period of three years, and the payments will begin in the first quarter of 2020 if the requisite service is provided.

(Amounts in tables are in millions except per share data, or as otherwise noted)

The purchase consideration was preliminarily allocated to the tangible and intangible assets and liabilities acquired as of the acquisition date, with the excess recorded to goodwill as shown below. The fair value of assets and liabilities acquired may change as additional information is received during the measurement period. The measurement period will end no later than one-year from the acquisition date.

Assets acquired:		
Cash and cash equivalents	$	5.5
Short-term investments		7.8
Acquisition-related intangible assets		44.6
Accounts receivable, prepaid and other assets		5.0
Total assets acquired	$	62.9
Liabilities assumed:		
Accounts payable, accrued and other liabilities	$	6.3
Deferred revenue		4.8
Deferred tax liability		6.9
Total liabilities assumed		18.0
Net assets acquired, excluding goodwill		44.9
Total purchase consideration		177.9
Estimated goodwill (2)	$	133.0

(2) The goodwill recognized was primarily attributable to the opportunity to expand the user base of the Company's platform. The goodwill is not deductible for U.S. federal income tax purposes.

The fair value of the separately identifiable finite-lived intangible assets acquired and estimated weighted average useful lives are as follows:

	Estimated fair values		Estimated weighted average useful lives (In years)
Customer relationships	$	20.5	4.9
Developed technology		19.6	5.0
Trade name		4.5	5.0
Total acquisition-related intangible assets	$	44.6	

The fair values of the acquisition-related intangibles were determined using the following methodologies: the multi-period excess earnings method, replacement cost method, and the relief from royalty method, for customer relationships, developed technology, and the trade name, respectively. The valuation model inputs required the application of significant judgment by management. The acquired intangible assets have a total weighted average amortization period of 4.9 years.

One-time acquisition-related diligence costs of $1.0 million were expensed within general and administrative expenses as incurred for the year ended December 31, 2019.

(Amounts in tables are in millions except per share data, or as otherwise noted)

Note 6. Intangible Assets, Net

Intangible assets consisted of the following:

	As of December 31, 2019	As of December 31, 2018	Weighted-average remaining useful life (In years)
Developed technology	$ 25.8	$ 47.0	4.0
Customer relationships	20.5	0.0	4.1
Software	20.0	19.2	1.7
Patents	13.0	13.0	7.6
Assembled workforce in asset acquisitions	12.6	12.6	1.0
Licenses	4.6	4.6	1.5
Trademarks and trade names	5.2	0.7	4.1
Other	3.3	3.3	5.6
Total intangibles	105.0	100.4	
Accumulated amortization	(57.6)	(85.7)	
Intangible assets, net	$ 47.4	$ 14.7	

During the first quarter of 2019 the Company retired $41.7 million in fully amortized developed technology assets.

Amortization expense was $13.6 million, $6.1 million, and $10.5 million for the years ended December 31, 2019, 2018, and 2017, respectively.

Expected future amortization expense for intangible assets as of December 31, 2019, is as follows:

2020	$ 13.9
2021	11.6
2022	8.3
2023	7.7
2024	3.3
Thereafter	2.6
Total	$ 47.4

(Amounts in tables are in millions except per share data, or as otherwise noted)

Note 7. Goodwill

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. The changes in the carrying amounts of goodwill were as follows:

Balance at December 31, 2018	$	96.5
HelloSign acquisition		133.0
Other acquisition		2.4
Effect of foreign currency translation		2.6
Balance at December 31, 2019	$	234.5

The goodwill acquired from HelloSign and our other acquisition is carried in U.S. dollars, while goodwill from previous acquisitions is denominated in other foreign currencies.

Goodwill amounts are not amortized, but tested for impairment on an annual basis. There was no impairment of goodwill as of December 31, 2019, 2018, and 2017.

Note 8. Revolving Credit Facility

In April 2017, the Company entered into an amended and restated credit and guaranty agreement which provided for a $600.0 million revolving loan facility (the “revolving credit facility”). In conjunction with the revolving credit facility, the Company paid upfront issuance fees of $2.6 million, which are being amortized over the five-year term of the agreement.

In February 2018, the Company amended its revolving credit facility to, among other things, permit the Company to make certain investments, enter into an unsecured standby letter of credit facility and increase its standby letter of credit sublimit to $187.5 million. The Company increased its borrowing capacity under the revolving credit facility from $600.0 million to $725.0 million. The Company may from time to time request increases in its borrowing capacity under the revolving credit facility of up to $275.0 million, provided no event of default has occurred or is continuing or would result from such increase. In conjunction with the amendment, the Company paid upfront issuance fees of $0.4 million, which are being amortized over the remaining term of the agreement.

Pursuant to the terms of the revolving credit facility, the Company may issue letters of credit under the revolving credit facility, which reduce the total amount available for borrowing. Pursuant to the terms of the revolving credit facility, the Company is required to pay an annual commitment fee that accrues at a rate of 0.20% per annum on the unused portion of the borrowing commitments under the revolving credit facility. In addition, the Company is required to pay a fee in connection with letters of credit issued under the revolving credit facility, which accrues at a rate of 1.5% per annum on the amount of such letters of credit outstanding. There is an additional fronting fee of 0.125% per annum multiplied by the average aggregate daily maximum amount available under all letters of credit. Borrowings under the revolving credit facility bear interest, at the Company’s option, at an annual rate based on LIBOR plus a spread of 1.50% or at an alternative base rate plus a spread of 0.50%.

The revolving credit facility contains customary conditions to borrowing, events of default and covenants, including covenants that restrict the Company’s ability to incur indebtedness, grant liens, make distributions to holders of the Company or its subsidiaries’ equity interests, make investments, or engage in transactions with its affiliates. In addition, the revolving credit facility contains financial covenants, including a consolidated leverage ratio covenant and a minimum liquidity balance of $100.0 million, which includes any available borrowing capacity. The Company was in compliance with the covenants of the revolving credit facility as of December 31, 2019 and December 31, 2018, respectively.

The Company had an aggregate of $59.7 million of letters of credit outstanding under the revolving credit facility as of December 31, 2019, and the Company’s total available borrowing capacity under the revolving credit facility was $665.3 million as of December 31, 2019. The Company’s letters of credit expire between April 2020 and April 2022.

(Amounts in tables are in millions except per share data, or as otherwise noted)

Note 9. Leases

Leases

The Company has operating leases for corporate offices and datacenters, and finance leases for infrastructure equipment. The Company’s leases have remaining lease terms of 1 year to 14 years, some of which include options to extend the leases for up to 5 years.

The Company also has subleases of former corporate offices. Subleases have remaining lease terms of 1 year to 4 years. Sublease income, which is recorded as a reduction of rental expense, was $7.1 million for the year ended December 31, 2019 and $11.8 million for the year ended December 31, 2018.

The components of single lease cost were as follows:

	Year ended December 31,	
	2019	**2018**
Operating lease cost [1]	103.2	85.9
Finance lease cost:		
Amortization of assets under finance lease	80.3	87.6
Interest	9.2	8.0
Total finance lease cost	89.5	95.6

[1] Is presented gross of sublease income and includes short-term leases, which are immaterial

Other information related to leases was as follows:

	Year ended December 31, 2019
Supplemental Cash Flow Information:	
Cash paid for amounts included in the measurement of lease liabilities:	
Payments for operating leases included in cash from operating activities	$ 102.8
Payments for finance leases included in cash from operating activities	9.2
Payments for finance leases included in cash from financing activities	92.9
Assets obtained in exchange for lease obligations:	
Operating leases[2]	297.0
Finance leases	$ 144.1

[2] Includes the impact of the Company taking initial possession of the second and third phases of its new corporate headquarters in April and December of 2019, respectively, of $260.0 million.

(Amounts in tables are in millions except per share data, or as otherwise noted)

	As of December 31, 2019
Weighted Average Remaining Lease Term (in years)	
Operating leases	11.3
Finance leases	3.0
Weighted Average Discount Rate	
Operating leases	4.3%
Finance leases	4.3%

Future minimum lease payments under non-cancellable leases as of December 31, 2019 were as follows:

Year ending December 31,	Operating leases[1]	Finance leases
2020	$ 115.9	$ 84.1
2021	108.0	68.9
2022	98.2	54.8
2023	82.0	21.1
2024	74.2	0.1
Thereafter	583.0	0.0
Total future minimum lease payments	1,061.3	229.0
Less imputed interest	(250.2)	(14.1)
Less tenant incentive receivables	(19.3)	—
Total liability	$ 791.8	$ 214.9

[1] Consists of future non-cancelable minimum rental payments under operating leases for the Company's corporate offices and datacenters where the Company has possession, excluding rent payments from the Company's sub-tenants and variable operating expenses. As of December 31, 2019, the Company is entitled to non-cancelable rent payments from its sub-tenants of $34.5 million, which will be collected over the next 1 to 4 years.

In 2017, the Company entered into a lease agreement for office space in San Francisco, California, to serve as its new corporate headquarters. The Company took initial possession of the first phase of its new corporate headquarters in June 2018, and began to recognize single lease cost related to the first phase. In that same period, the Company recorded a lease incentive obligation related to tenant improvement reimbursements associated with the first phase. In April 2019, the Company took possession of the second phase, and began to recognize additional lease costs and recorded an additional lease obligation, net of tenant improvement reimbursements expected to be received in the second phase. In December 2019, the Company took possession of the third phase, and began to recognize additional lease costs and recorded an additional lease obligation, net of tenant improvement reimbursements expected to be received in the third phase. The Company's total expected minimum obligations for all three phases of the lease are $836.4 million, which exclude expected tenant improvement reimbursements from the landlord of approximately $75.0 million and variable operating expenses. The Company's obligations under the lease are supported by a $34.2 million letter of credit, which reduced the borrowing capacity under the revolving credit facility. For the twelve month period ended December 31, 2019, the Company collected tenant improvement reimbursements from the landlord totaling $55.3 million.

The Company moved into its new corporate headquarters and vacated its old corporate headquarters in the third quarter of 2019, at which time the Company began to make recurring rental payments for its new corporate headquarters and stopped incurring expense on its old headquarters. The Company will continue to pay cash rental payments for its old corporate headquarters until the first quarter of 2020.

(Amounts in tables are in millions except per share data, or as otherwise noted)

As of December 31, 2019, the Company had commitments of $91.9 million for operating leases that have not yet commenced, and therefore are not included in the right-of-use asset or operating lease liability. These operating leases will commence between 2019 and 2021 with lease terms of 4 years to 12 years.

Note 10. Commitments and Contingencies

Other commitments

Other commitments include payments to third-party vendors for services related to the Company's infrastructure, infrastructure warranty contracts, and asset retirement obligations for office modifications.

Future minimum payments under the Company's non-cancelable leases, finance lease obligations, and other commitments as of December 31, 2019, are as follows, and exclude non-cancelable rent payments from the Company's sub-tenants:

	Finance lease commitments	Operating lease commitments(1)	Other commitments(2)
Year ended December 31:			
2020	$ 84.1	$ 119.5	$ 48.8
2021	68.9	116.4	6.7
2022	54.8	108.1	0.7
2023	21.1	91.6	0.4
2024	0.1	83.9	—
Thereafter	—	636.2	16.7
Future minimum payments	229.0	$ 1,155.7	$ 73.3
Less interest and taxes	(14.1)		
Less current portion of the present value of minimum lease payments	(76.7)		
Financing lease obligations, net of current portion	$ 138.2		

(1) This balance includes short-term lease obligations and operating leases that we have entered into but have not yet commenced.
(2) This balance excludes founder holdbacks related to our acquisition of HelloSign. See Note 5, "Business Combinations" for further details.

Legal matters

From time to time, the Company is a party to a variety of claims, lawsuits, and proceedings which arise in the ordinary course of business, including claims of alleged infringement of intellectual property rights. The matters described in Item 3. ("Legal Proceedings") are examples of the types of claims Dropbox is currently defending. The Company records a liability when it believes that it is probable that a loss will be incurred and the amount of loss or range of loss can be reasonably estimated. In its opinion, resolution of pending matters is not likely to have a material adverse impact on its condensed consolidated results of operations, cash flows, or its financial position. Given the unpredictable nature of legal proceedings, the Company bases its estimate on the information available at the time of the assessment. As additional information becomes available, the Company reassesses the potential liability and may revise the estimate.

We are currently involved in four putative class action lawsuits alleging violations of the federal securities laws that were filed on August 30, 2019, September 5, 2019, September 13, 2019, and October 3, 2019, in the Superior Court of the State of California, San Mateo County, against us, certain of our officers and directors, underwriters of our IPO, and Sequoia Capital XII, L.P. and certain of its affiliated entities (collectively, the “Dropbox Defendants”). On October 4, 2019, two putative class action lawsuits alleging violations of the federal securities laws were filed against the Dropbox Defendants in the U.S. District Court for the Northern District of California. The six lawsuits each make the same or similar allegations of violations of the Securities Act of 1933, as amended, for allegedly making materially false and misleading statements in, or omitting material information from, our IPO registration statement. The plaintiffs seek unspecified monetary damages and other relief. We do not currently believe that this matter is likely to have a material adverse impact on our consolidated results of operations, cash flows, or our financial position.

(Amounts in tables are in millions except per share data, or as otherwise noted)

Indemnification

The Company’s arrangements generally include certain provisions for indemnifying customers against liabilities if its 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.

Note 11. Accrued and Other Current Liabilities

Accrued and other current liabilities consisted of the following:

	As of December 31,	
	2019	2018
Non-income taxes payable	$ 92.2	$ 75.7
Accrued legal and other external fees	29.2	28.1
Deferred rent	—	41.0
Other accrued and current liabilities	40.5	19.7
Total accrued and other current liabilities	$ 161.9	$ 164.5

The decrease in deferred rent from December 31, 2018 is due to the Company's adoption of ASC 842 on January 1, 2019 using the modified retrospective approach. As of December 31, 2019, deferred rent reduces the Company's operating right-of-use asset. See Note 9 "Leases" for additional discussion.

Note 12. Stockholders’ Equity

Common stock

The Company’s amended and restated certificate of incorporation authorizes the issuance of Class A common stock, Class B common stock, and Class C common stock. Holders of Class A common stock, Class B common stock, and Class C common stock are entitled to dividends on a pro rata basis, when, as, and if declared by the Company’s Board of Directors, subject to the rights of the holders of the Company’s preferred stock. Holders of Class A common stock are entitled to one vote per share, holders of Class B common stock are entitled to 10 votes per share, and holders of Class C common stock are entitled to zero votes per share. Holders of Class B common stock voluntarily converted 38.9 million and 157.0 million shares into an equivalent number shares of Class A common stock during the years ended December 31, 2019 and December 31, 2018 respectively.

As of December 31, 2019, the Company had authorized 2,400.0 million shares of Class A common stock, 475.0 million shares of Class B common stock, and 800.0 million shares of Class C common stock, each at par value of $0.00001. As of December 31, 2019, 255.8 million shares of Class A common stock, 161.2 million shares of Class B common stock, and no shares of Class C common stock were issued and outstanding. As of December 31, 2018, 211.0 million shares of Class A common stock, 198.6 million shares of Class B common stock, and no shares of Class C common stock were issued and outstanding. Class A shares issued and outstanding as of December 31, 2019 exclude restricted stock awards granted to certain executives during the year. Class A shares issued and outstanding as of December 31, 2019 and 2018 exclude 14.7 million unvested restricted stock awards granted to the Company's founders. See "Co-Founder Grants" section below for further details.

Convertible preferred stock

Immediately prior to the closing of the Company’s IPO, all of the 147.3 million shares of convertible preferred stock converted into an equivalent number of shares of Class B common stock. Further, pursuant to transfer agreements with certain of the Company’s stockholders, 0.3 million shares of the Company’s convertible preferred stock automatically converted into an equivalent number of shares of Class A common stock. As of December 31, 2019 the Company has zero authorized, issued and outstanding shares of convertible preferred stock.

Preferred stock

The Company's Board of Directors will have the authority, without further action by the Company's stockholders, to issue up to 240.0 million shares of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by the Board of Directors.

Equity incentive plans

Under the 2018 Plan, the Company may grant stock-based awards to purchase or directly issue shares of common stock to employees, directors, and consultants. Options are granted at a price per share equal to the fair market value of the Company's common stock at the date of grant. Options granted are exercisable over a maximum term of 10 years from the date of grant and generally vest over a period of four years. RSUs and RSAs are also granted under the 2018 Plan. The 2018 Plan will terminate 10 years after the later of (i) its adoption or (ii) the most recent stockholder-approved increase in the number of shares reserved under the 2018 Plan, unless terminated earlier by the Company's Board of Directors. The 2018 Plan was adopted on March 22, 2018.

In connection with the acquisition of HelloSign, the Company assumed unvested stock options that had been granted under HelloSign's 2011 Equity Incentive Plan.

As of December 31, 2019, there were 32.7 million stock-based awards issued and outstanding and 66.2 million shares available for issuance under the Dropbox Equity Incentive Plans and HelloSign's 2011 Equity Incentive Plan (collectively, the "Plans").

(Amounts in tables are in millions except per share data, or as otherwise noted)

Stock option and restricted stock activity for the Plans was as follows for the years ended December 31, 2019 and 2018:

		Options outstanding				**Restricted stock outstanding**	
	Number of shares available for issuance under the Plans	Number of shares outstanding under the Plans	Weighted-average exercise price per share	Weighted-average remaining contractual term (In years)	Aggregate Intrinsic Value	Number of Plan shares outstanding	Weighted-average grant date fair value per share
Balance at December 31, 2017	9.0	5.0	$ 10.52	5.5		54.9	$ 15.6
Reserved for issuance under the 2018 Plan	41.4						
Additional shares authorized	1.3						
Options exercised and RSUs released	—	(3.4)	$ 7.75			(40.4)	15.42
Options and RSUs canceled	6.0	(0.3)	$ 22.90			(5.7)	16.78
Shares repurchased for tax withholdings on release of restricted stock	15.6						15.45
Restricted stock granted	(16.2)					16.2	20.26
Balance at December 31, 2018	57.1	1.3	$ 14.68	5.0	9.1	25.0	$ 18.68
Additional shares authorized	21.2	—	—			—	—
Stock options assumed	0.9	0.9	6.02			—	—
Options exercised and RSUs released	—	(0.3)	6.82			(11.2)	19.01
Options and RSUs canceled	7.1	(0.2)	18.89			(6.9)	19.32
Shares repurchased for tax withholdings on release of restricted stock	4.1	—	—			—	18.87
Restricted stock, awards and options granted	(24.2)	0.3	23.09			23.8	21.34
Balance as of December 31, 2019	66.2	2.0	$ 12.28	6.5	16.40	30.7	$ 20.48
Vested at December 31, 2019		1.3	$ 16.01	5.4	7.90	—	$ —
Unvested at December 31, 2019		0.7	$ 5.76		8.50	30.7	$ 20.48

The following table summarizes information about the pre-tax intrinsic value of options exercised during the years ended December 31, 2019 and 2018:

	Year ended December 31,	
	2019	**2018**
Intrinsic value of options exercised	$ 5.3	$ 59.0

As of December 31, 2019, unamortized stock-based compensation related to unvested stock options, restricted stock awards (excluding the Co-Founder Grants), and RSUs was $597.7 million. The weighted-average period over which such compensation expense will be recognized if the requisite service is provided is approximately 2.9 years as of December 31, 2019.

The total fair value of released RSUs, as of their respective vesting dates, during the years ended December 31, 2019, 2018 and 2017 were $235.0 million, $913.5 million, and $232.5 million, respectively.

(Amounts in tables are in millions except per share data, or as otherwise noted)

Assumed stock options

In connection with the acquisition of HelloSign the Company assumed 0.9 million unvested stock options which were valued using the Black-Scholes option-pricing model. The fair value of stock options assumed were estimated using the following assumptions:

Expected volatility	51.6%
Expected term (in years)	3.4 - 7.0
Risk-free interest rate	2.42% - 2.51%
Dividend yield	—%

Expected volatility. The expected volatility is based on the Company's historical volatility. Management believes this is the best estimate of the expected volatility over the expected life of its stock options.

Expected term. The Company determines the expected term based on the average period the stock options are expected to remain outstanding, generally calculated as the midpoint of the stock options’ remaining vesting term and contractual expiration period, as the Company does not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior.

Risk-free interest rate. The risk-free interest rate is based on the U.S. Treasury security in effect at the time the options were assumed for maturities corresponding with the expected term of the option.

Expected dividend yield. The Company has not paid and does not expect to pay dividends. Consequently, the Company uses an expected dividend yield of zero.

The estimated weighted-average grant date fair value for stock options assumed was $21.60 per share and total fair value of $19.4 million, of which, $18.6 million will be recognized as post-combination stock-based compensation expense.

Co-Founder Grants

In December 2017, the Board of Directors approved a grant to the Company’s co-founders of non-Plan RSAs with respect to 14.7 million shares of Class A Common Stock in the aggregate (collectively, the “Co-Founder Grants”), of which 10.3 million RSAs were granted to Mr. Houston, the Company’s co-founder and Chief Executive Officer, and 4.4 million RSAs were granted to Mr. Ferdowsi, the Company’s co-founder and Director. These Co-Founder Grants have service-based, market-based, and performance-based vesting conditions. The Co-Founder Grants are excluded from Class A common stock issued and outstanding until the satisfaction of these vesting conditions. The Co-Founder Grants also provide the holders with certain stockholder rights, such as the right to vote the shares with the other holders of Class A common stock and a right to cumulative declared dividends. However, the Co-Founder Grants are not considered a participating security for purposes of calculating net loss per share attributable to common stockholders in Note 13, "Net Loss Per Share", as the right to the cumulative declared dividends is forfeitable if the service condition is not met.

The Co-Founder Grants are eligible to vest over the ten-year period following the date the Company’s shares of Class A common stock commenced trading on the Nasdaq Global Select Market in connection with the Company’s IPO. The Co-Founder Grants comprise nine tranches that are eligible to vest based on the achievement of stock price goals ranging from $30 to $90 per share, each of which are referred to as a Stock Price Target, measured over a consecutive thirty-day trading period during the Performance Period. The Performance Period began on January 1, 2019.

During the first four years of the Performance Period, no more than 20% of the shares subject to each Co-Founder Grant would be eligible to vest in any calendar year. After the first four years, all shares are eligible to vest based on the achievement of the Stock Price Targets.

The Company calculated the grant date fair value of the Co-Founder Grants based on multiple stock price paths developed through the use of a Monte Carlo simulation. A Monte Carlo simulation also calculates a derived service period for each of the nine vesting tranches, which is the measure of the expected time to achieve each Stock Price Target. A Monte Carlo simulation requires the use of various assumptions, including the underlying stock price, volatility, and the risk-free interest rate as of the valuation date, corresponding to the length of time remaining in the performance period, and expected dividend yield. The weighted-average grant date fair value of each Co-Founder Grant was estimated to be $10.60 per share. The weighted-average derived service period of each Co-Founder Grant was estimated to be 5.2 years, and ranged from 2.9 - 6.9 years. The Company will recognize aggregate stock-based compensation expense of $156.2 million over the derived service period of each tranche using the accelerated attribution method as long as the co-founders satisfy their service-based vesting conditions. If the Stock Price Targets are met sooner than the derived service period, the Company will adjust its stock-based compensation to reflect the cumulative expense associated with the vested awards. The Company will recognize expense if the requisite service is provided, regardless of whether the market conditions are achieved.

The Performance Vesting Condition for the Co-Founder Grants was satisfied on the date the Company's shares of Class A common stock commenced trading on the Nasdaq Global Select Market in connection with the Company's IPO, which was March 23, 2018. The Company recognized stock-based compensation expense related to the Co-Founder Grants of $34.9 and $37.0 million during the years ended December 31, 2019 and December 31, 2018, respectively. Unamortized stock-based compensation expense related to the Co-Founder Grants was $84.2 million and $119.3 million for the years ended December 31, 2019 and December 31, 2018, respectively.

Award modifications

During the year ended December 31, 2017, the Company's Board of Directors voted to approve a modification of vesting schedules for certain unvested one-tier and two-tier RSUs to align the vesting schedules for all RSUs to vest once per quarter. The modification was effective February 15, 2018, which resulted in accelerated vesting of impacted RSUs that had met their service requirement as of that date. As a result, the Company recognized an incremental $10.0 million in stock-based compensation during the first quarter of 2018, related to these modified one-tier and two-tier RSUs.

Note 13. Net Loss Per Share

The Company computes net loss per share using the two-class method required for multiple classes of common stock and participating securities. The rights, including the liquidation and dividend rights, of the Class A common stock and Class B common stock are substantially identical, other than voting rights. Accordingly, the Class A common stock and Class B common stock share equally in the Company's net losses. Before the IPO, the Company's outstanding securities also included convertible preferred stock. The holders of convertible preferred stock did not have a contractual obligation to share in the Company's losses, and as a result, net losses were not allocated to these securities.

(Amounts in tables are in millions except per share data, or as otherwise noted)

The following table sets forth the calculation of basic and diluted net loss per share attributable to common stockholders during the periods presented. The shares issued in the IPO and the shares of Class A and Class B common stock issued upon conversion of the outstanding shares of convertible preferred stock in the IPO are included in the table below weighted for the period outstanding in the year ended December 31, 2018. Additionally, the voluntary conversions of Class B common stock into Class A common stock are included in the table below weighted for the period outstanding in the years ended December 31, 2019 and December 31, 2018:

	Year ended December 31,					
	2019		2018		2017	
	Class A	Class B	Class A	Class B	Class A	Class B
Numerator:						
Net loss attributable to common stockholders	$ (30.3)	$ (22.4)	$ (138.7)	$ (346.2)	$ (3.6)	$ (108.1)
Denominator:						
Weighted-average number of common shares outstanding used in computing basic and diluted net loss per common share	236.8	174.8	102.6	256.0	6.3	189.6
Net loss per common share, basic and diluted	$ (0.13)	$ (0.13)	$ (1.35)	$ (1.35)	$ (0.57)	$ (0.57)

Since the Company was in a loss position for all periods presented, basic net loss per share attributable to common stockholders is the same as diluted net loss per share for all periods as the inclusion of all potential common shares outstanding would have been anti-dilutive. The weighted-average impact of potentially dilutive securities that were not included in the diluted per share calculations because they would be anti-dilutive was as follows:

	Year ended December 31,		
	2019	2018	2017
Convertible preferred stock	—	—	147.6
Restricted stock units	28.9	35.0	52.7
Restricted stock awards	0.4	—	0.0
Options to purchase shares of common stock	1.9	4.0	5.1
Co-Founder Grants	14.7	14.7	0.8
Shares subject to repurchase from early-exercised options and unvested restricted stock	—	0.1	0.2
Total	45.9	53.8	206.4

Note 14. Income Taxes

For the years ended December 31, 2019, 2018, and 2017, the Company’s loss from continuing operations before provision for income taxes was as follows:

	Year ended December 31,		
	2019	2018	2017
Domestic	$ (98.8)	$ (497.1)	$ (76.9)
Foreign	46.8	17.0	(34.6)
Loss before income taxes	$ (52.0)	$ (480.1)	$ (111.5)

The components of the benefit from (provision for) income taxes in the years ended December 31, 2019, 2018, and 2017, were as follows:

	Year ended December 31,		
	2019	2018	2017
Current:			
Federal	$ 0.1	$ (0.1)	$ 0.1
State	(0.6)	(0.2)	(0.3)
Foreign	(7.7)	(4.6)	(2.3)
Deferred:			
Federal	6.6	—	1.4
State	0.6	—	—
Foreign	0.3	0.1	0.9
Benefit from (provision for) income taxes	$ (0.7)	$ (4.8)	$ (0.2)

A reconciliation of income taxes at the statutory federal income tax rate to the benefit from (provision for) income taxes included in the accompanying consolidated statements of operations is as follows (in millions):

	Year ended December 31,		
	2019	2018	2017
Tax benefit at federal statutory rate	$ 10.9	$ 100.8	$ 37.9
State taxes, net of federal benefit	2.4	10.7	1.7
Foreign rate differential	(0.9)	1.8	(12.3)
Research and other credits	30.2	86.5	25.4
Non-deductible compensation	(3.4)	—	—
Meals & entertainment	(2.5)	(2.2)	(0.2)
Permanent differences	(2.1)	(16.2)	(8.8)
Tax Cuts and Jobs Act impact	—	—	(61.7)
Change in valuation allowance	(32.2)	(240.7)	38.9
Stock-based compensation	1.8	57.3	(20.1)
Other non-deductible items	(4.9)	(2.8)	(1.0)
Benefit from (provision for) income taxes	$ (0.7)	$ (4.8)	$ (0.2)

The significant components of the Company’s deferred tax assets and liabilities as of December 31, 2019 and 2018 were as follows:

(Amounts in tables are in millions except per share data, or as otherwise noted)

	As of December 31,	
	2019	2018
Deferred tax assets:		
Net operating loss carryforwards	$ 257.2	$ 264.8
Research credit carryforwards	188.6	157.3
Stock-based compensation	29.3	11.1
Accruals and reserves	32.3	42.0
Fixed assets and intangible assets	—	0.7
Lease liability	189.8	—
Other	1.0	1.1
Gross deferred tax assets	698.2	477.0
Valuation allowance	(510.8)	(476.0)
Total deferred tax assets, net of valuation allowance	187.4	1.0
Deferred tax liabilities:		
Fixed assets and intangible assets	13.1	—
Right of use assets	172.7	—
Other	0.3	—
Total deferred tax liability	186.1	—
Net deferred tax assets	$ 1.3	$ 1.0

For the years ended December 31, 2019 and 2018, based on all available objective evidence, including the existence of cumulative losses, the Company determined that it was not more likely than not that the U.S., Ireland, and Israel net deferred tax assets were fully realizable as of December 31, 2019 and 2018. Accordingly, the Company established a full valuation allowance against its U.S. and Ireland deferred tax assets and a partial valuation allowance against its Israeli deferred tax assets.

As of December 31, 2019, the Company had $916.9 million of federal, $390.8 million of state, and $244.3 million of foreign net operating loss carryforwards available to reduce future taxable income. Of the federal net operating loss carryforwards, $288.9 million will begin to expire in 2032 and $628.0 million will carryforward indefinitely, while state net operating losses begin to expire in 2026.

As of December 31, 2019, the Company had research credit carryforwards of $171.7 million and $94.6 million for federal and state income tax purposes, respectively, of which $42.8 million and $23.6 million is the unrecognized tax benefit portion related to the research credit carryforwards for federal and state, respectively. The federal credit carryforward will begin to expire in 2027. The state research credits have no expiration date. The Company also had $3.6 million of state enterprise zone credit carryforwards, which will begin to expire in 2023.

As of December 31, 2019, the Company also had $221.4 million of foreign net operating loss carryforwards available to reduce future taxable income, which will carryforward indefinitely. In addition, the Company had $22.9 million of foreign acquired net operating losses, which will carryforward indefinitely. The Company also had $0.7 million of foreign tax credit carryforwards, which will carryforward indefinitely.

Under Section 382 and 383 of the Internal Revenue Code of 1986, as amended, or the Code, if a corporation undergoes an “ownership change,” the corporation’s ability to use its pre-change net operating loss carryforwards and other pre-change attributes, such as research tax credits, to offset its post-change income may be limited. In general, an “ownership change” will occur if there is a cumulative change in our ownership by “5-percent shareholders” that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws. The Company has determined that it has experienced multiple ownership changes and, as a result, the annual utilization of our net operating loss carryforwards and other pre-change attributes will be subject to limitation. However, the Company does not expect that the annual limitations will significantly impact its ability to utilize our net operating loss or tax credit carryforwards prior to expiration.

(Amounts in tables are in millions except per share data, or as otherwise noted)

As of December 31, 2019, the balance of unrecognized tax benefits was $74.5 million of which $8.1 million, if recognized, would affect the effective tax rate and $66.4 million would result in adjustment to deferred tax assets with corresponding adjustments to the valuation allowance.

A reconciliation of the beginning and ending amount of unrecognized tax benefit is as follows:

	Year ended December 31,		
	2019	2018	2017
Balance of gross unrecognized tax benefits at the beginning of the fiscal year	$ 59.8	$ 25.6	$ 15.7
Gross increases related to prior period tax positions	0.1	1.1	—
Gross increases related to current period tax positions	14.6	33.1	9.9
Balance of gross unrecognized tax benefits at the end of the fiscal year	$ 74.5	$ 59.8	$ 25.6

The Company recognizes interest and/or penalties related to income tax matters as a component of income tax expense. As of December 31, 2019, the amount of accrued interest and penalties related to uncertain tax positions was $2.6 million. Interest and penalties recognized for the year ended December 31, 2019, 2018, and 2017 was $1.3 million, $0.7 million, and $0.2 million, respectively.

The amount of unrecognized tax benefits could be reduced upon expiration of the applicable statutes of limitations and resolution and/or closure of audits. As of December 31, 2019, the Company anticipates the gross unrecognized tax benefits would not significantly change in the next 12 months.

The Company files income tax returns in the U.S. federal, multiple states, and foreign jurisdictions. All of the Company's tax years from 2007 remain open for examination by the federal and state authorities, and from 2013 by foreign authorities.

The Company generally does not provide deferred income taxes for the undistributed earnings of its foreign subsidiaries as the Company intends to reinvest such earnings indefinitely. Should circumstances change and it becomes apparent that some or all of the undistributed earnings will no longer be indefinitely reinvested, the Company will accrue for income taxes not previously recognized. As of December 31, 2019, there were no cumulative undistributed earnings in its Irish subsidiary and, as a result, there were no unrecorded deferred tax liabilities. The amount of undistributed earnings in the Company's other foreign subsidiaries, if any, are immaterial.

The Tax Reform Act subjects a US shareholder to current tax on global intangible low-taxed income (GILTI) earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740 No. 5, Accounting for Global Intangible Low-Taxed Income, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI in the year the tax is incurred. The Company has elected to recognize the tax on GILTI as a period expense in the period the tax is incurred.

Note 15. Related Party Transactions

Dropbox Charitable Foundation

During the year ended December 31, 2016, two of the Company's controlling shareholders formed the Dropbox Charitable Foundation, a Delaware non-stock corporation (the "Foundation"). The primary purpose of the Foundation is to engage in charitable and educational activities within the meaning of Section 501(c)(3) of the Code. The Foundation is governed by a Board of Directors, a majority of which are independent. Both shareholders made contributions to the Foundation during the year ended December 31, 2016, comprised entirely of shares of Dropbox common stock. The Company has not consolidated the Foundation in the accompanying consolidated financial statements, as the Company does not have control of the entity.

(Amounts in tables are in millions except per share data, or as otherwise noted)

During the year ended December 31, 2017, the Company donated shares of Class B common stock to initially fund the Foundation and recorded $9.4 million of expense to general and administrative expenses based on the Company’s estimate of the then current fair value of the contributed shares. The Company made additional cash contributions to the Foundation of $1.9 million during year ended December 31, 2017.

There were no contributions to the Foundations during the years ended December 31, 2019 and December 31, 2018.

Note 16. Geographic Areas

Long-lived assets

The following table sets forth long-lived assets by geographic area:

	As of December 31,	
	2019	2018
United States	$ 431.9	$ 293.6
International[(1)]	13.4	17.0
Total property and equipment, net	$ 445.3	$ 310.6

(1) No single country other than the United States had a property and equipment balance greater than 10% of total property and equipment, net, as of December 31, 2019 and 2018.

Revenue

Revenue by geography is generally based on the address of the customer as defined in the Company’s subscription agreement. The following table sets forth revenue by geographic area for the years ended December 31, 2019, 2018, and 2017:

	Year ended December 31,		
	2019	2018	2017
United States	$ 854.1	$ 706.5	$ 575.7
International[(1)]	807.2	685.2	531.1
Total revenue	$ 1,661.3	$ 1,391.7	$ 1,106.8

(1) No single country outside of the United States accounted for more than 10 percent of total revenue during the years ended December 31, 2019, 2018, and 2017

Note 17. Subsequent Events

On February 19, 2020, our Board of Directors authorized the repurchase of up to $600 million of the Company’s outstanding shares of Class A common stock. Under the stock repurchase program, the Company is authorized to repurchase, from time-to-time, shares of its outstanding common stock through open market purchases or in privately negotiated transactions, in accordance with applicable rules and regulations, at such time and such prices as management may decide. The program does not obligate the Company to repurchase any specific number of shares and may be discontinued at any time. There have been no purchases of common stock executed under the repurchase program as of the date of this filing.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our Management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our 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")), as of the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, our principal executive officer and principal financial officer have concluded that as of such date, our disclosure controls and procedures were effective at a reasonable assurance level.

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 Rules 13a-15(f) and 15d-15(f) under the Exchange Act) to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

Our management, under the supervision of our Chief Financial Officer and Chief Accounting Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2019.

The effectiveness of our internal control over financial reporting as of December 31, 2019 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report, which is included in Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(d) and 15d-15(d) under the Exchange Act) that occurred during the period covered by this Annual Report on Form 10-K that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Disclosure Controls and Procedures

Our management, including our principal executive officer and principal financial officer, do not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Due to inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is incorporated by reference to our Proxy Statement relating to our 2020 Meeting of Stockholders. The Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the end of the fiscal year ended December 31, 2019.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to our Proxy Statement relating to our 2020 Meeting of Stockholders. The Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the end of the fiscal year ended December 31, 2019.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated by reference to our Proxy Statement relating to our 2020 Meeting of Stockholders. The Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the end of the fiscal year ended December 31, 2019.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference to our Proxy Statement relating to our 2020 Meeting of Stockholders. The Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the end of the fiscal year ended December 31, 2019.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is incorporated by reference to our Proxy Statement relating to our 2020 Meeting of Stockholders. The Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the end of the fiscal year ended December 31, 2019.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

The following documents are filed as a part of this Annual Report on Form 10-K

(a) 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.

(b) Financial statement schedules.

All financial statement schedules not listed above have been omitted because the information called for is not required or is shown either in the consolidated financial statements or in the notes thereto.

(c) Exhibits

The documents listed in the Exhibit Index of this Annual Report on Form 10-K are incorporated by reference or are filed with this Annual Report on Form 10-K, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

EXHIBIT INDEX

Exhibit Number	Description	Form	File Number	Exhibit	Filed with SEC
3.1	Amended and Restated Certificate of Incorporation of the Registrant.	10-Q	001-38434	3.2	May 11, 2018
3.2	Amended and Restated Bylaws of the Registrant.	10-Q	001-38434	3.3	May 11, 2018
4.1	Form of Class A common stock certificate of the Registrant.	S-1/A	333-223182	4.1	March 12, 2018
4.2	Amended and Restated Investors' Rights Agreement among the Registrant and certain holders of its capital stock, dated as of January 30, 2014, as amended.	S-1	333-223182	4.2	February 23, 2018
4.3	Amendment No. 2 to the Amended and Restated Investors' Rights Agreement among the Registrant and certain holders of its capital stock, dated as of March 27, 2018.	10-Q	001-38434	4.3	May 11, 2018
4.4*	Description of Capital Stock				
10.1+	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers.	S-1	333-223182	10.1	February 23, 2018
10.2+	Dropbox, Inc. 2018 Equity Incentive Plan and related form agreements.	S-1/A	333-223182	10.2	March 21, 2018
10.3+	Dropbox, Inc. 2018 Employee Stock Purchase Plan and related form agreements.	S-1/A	333-223182	10.3	March 21, 2018
10.4+	Dropbox, Inc. 2018 Class C Stock Incentive Plan and related form agreements.	S-1/A	333-223182	10.4	March 21, 2018
10.5+	Dropbox, Inc. 2018 Class C Employee Stock Purchase Plan and related form agreements.	S-1/A	333-223182	10.5	March 21, 2018
10.6+	Dropbox, Inc. 2017 Equity Incentive Plan and related form agreements.	S-1/A	333-223182	10.6	March 21, 2018
10.7+	Dropbox, Inc. 2008 Equity Incentive Plan, as amended, and related form agreements.	S-1/A	333-223182	10.7	March 21, 2018
10.8+	Dropbox, Inc. Amended and Restated Cash Bonus Plan.	S-1	333-223182	10.8	February 23, 2018
10.9+	Restricted Stock Agreement between the Registrant and Andrew W. Houston.	S-1	333-223182	10.9	February 23, 2018
10.10+	Restricted Stock Agreement between the Registrant and Arash Ferdowsi.	S-1	333-223182	10.10	February 23, 2018

		Form	File Number	Exhibit	Filed with SEC
10.11*+	Form of Change in Control and Severance Agreement between the Registrant and certain executive officers.				
10.12+	Employment Letter between the Registrant and Andrew W. Houston.	S-1/A	333-223182	10.12	March 12, 2018
10.13+	Employment Letter between the Registrant and Arash Ferdowsi.	S-1/A	333-223182	10.13	March 12, 2018
10.14*+	Form of Restricted Stock Agreement between the Registrant and certain executive officers.				
10.15*+	Employment Letter between the Registrant and Olivia Nottebohm.				
10.16*+	Employment Letter between the Registrant and Bharat Mediratta.				
10.17*+	Employment Letter between the Registrant and Timothy Young.				
10.18	Office Lease between the Registrant and KR Mission Bay, LLC, dated as of October 6, 2017.	S-1	333-223182	10.19	February 23, 2018
10.19	Second Amendment to Office Lease between Dropbox, Inc. and KR Mission Bay, LLC, dated as of May 25, 2018.	10-Q	001-38434	10.2	August 10, 2018
10.20	Second Amendment and Restatement to the Revolving Credit and Guaranty Agreement among the Registrant, the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent, dated as of April 3, 2017.	S-1	333-223182	10.20	February 23, 2018
10.21	Incremental Facility and Amendment Agreement among the Registrant, the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent, dated as of February 9, 2018.	S-1	333-223182	10.21	February 23, 2018
10.22*+	Dropbox, Inc. Outside Director Compensation Policy and related form agreements.				
21.1	List of subsidiaries of the Registrant.				
23.1*	Consent of Independent Registered Public Accounting Firm.				
24.1*	Power of Attorney (included in signature pages hereto).				
31.1*	Certification of Principal 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.				

		Form	File Number	Exhibit	Filed with SEC
31.2*	Certification of Principal 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.	The following financial statements from the Company's Annual Report on Form 10-K for the quarter ended December 31, 2019, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statement of Operations, (iii) Condensed Consolidated Statements of Comprehensive Income (Loss), (iv) Condensed Consolidated Statement of Cash Flows, (v) Condensed Consolidated Statements of Stockholders' Equity, and (vi) Notes to Condensed Consolidated Financial Statements.				
104.	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)				

* Filed herewith.

\+ Indicates management contract or compensatory plan.

† 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 Dropbox, Inc. 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.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in San Francisco, California, on February 21, 2020.

DROPBOX, INC.

By:	/s/ Andrew W. Houston
	Andrew W. Houston
	Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Andrew W. Houston and Ajay V. Vashee, and each of them, as his or her true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, for such individual 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 for 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 the individual’s substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed by the following persons on behalf of the Company and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Andrew W. Houston Andrew W. Houston	Chief Executive Officer and Chairman *(Principal Executive Officer)*	February 21, 2020
/s/ Ajay V. Vashee Ajay V. Vashee	Chief Financial Officer *(Principal Financial Officer)*	February 21, 2020
/s/ Timothy J. Regan Timothy J. Regan	Chief Accounting Officer *(Principal Accounting Officer)*	February 21, 2020
/s/ Donald W. Blair Donald W. Blair	Director	February 21, 2020
/s/ Lisa Campbell Lisa Campbell	Director	February 21, 2020
/s/ Arash Ferdowsi Arash Ferdowsi	Director	February 21, 2020
/s/ Paul E. Jacobs Paul E. Jacobs	Director	February 21, 2020
/s/ Robert J. Mylod Jr. Robert J. Mylod, Jr.	Director	February 21, 2020
/s/ Karen A. Peacock Karen A. Peacock	Director	February 21, 2020
/s/ Condoleezza Rice Condoleezza Rice	Director	February 21, 2020
/s/ R. Bryan Schreier R. Bryan Schreier	Director	February 21, 2020
/s/ Margaret C. Whitman Margaret C. Whitman	Director	February 21, 2020

Exhibit 4.4

DESCRIPTION OF CAPITAL STOCK

The following is a summary of information concerning capital stock of Dropbox, Inc. ("us," "our," "we" or the "Company") and certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws currently in effect. This summary does not purport to be complete and is qualified in its entirety by the provisions of our amended and restated certificate of incorporation and amended and restated bylaws, each previously filed with the Securities and Exchange Commission ("SEC") and incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.4 is a part, as well as to the applicable provisions of the Delaware General Corporation Law (the "DGCL"). We encourage you to read our certificate of incorporation, bylaws and the applicable portions of the DGCL carefully.

General

Our amended and restated certificate of incorporation authorizes preferred stock and three classes of common stock: Class A common stock, Class B common stock and Class C common stock. The rights of the three classes of common stock are identical, except as described below.

Our authorized capital stock consists of 3,915,000,000 shares, $0.00001 par value per share, of which:

- 2,400,000,000 shares are designated as Class A common stock;
- 475,000,000 shares are designated as Class B common stock;
- 800,000,000 shares are designated as Class C common stock; and
- 240,000,000 shares are designated as preferred stock.

Common Stock

Voting Rights

Holders of our Class A common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders, holders of our Class B common stock are entitled to ten votes for each share held, and holders of our Class C common stock are not entitled to vote on any matter that is submitted to a vote of stockholders, except as otherwise required by law. The holders of our Class A common stock and Class B common stock vote together as a single class, unless otherwise required by law. Under our amended and restated certificate of incorporation, approval of the holders of a majority of the Class B common stock is required to increase the number of authorized shares of our Class B common stock. In addition, Delaware law could require either holders of our Class A common stock, our Class B common stock, or our Class C common stock to vote separately as a single class in the following circumstances:

- if we were to seek to amend our amended and restated certificate of incorporation to increase or decrease the par value of a class of stock, then that class would be required to vote separately to approve the proposed amendment; and
- if we were to seek to amend our amended and restated certificate of incorporation in a manner that alters or changes the powers, preferences, or special rights of a class of stock in a manner that affected its holders adversely, then that class would be required to vote separately to approve the proposed amendment.

Until the Final Conversion Date (as defined in the amended and restated certificate of incorporation), holders of our Class B common stock have the right to vote as a separate class to:

- amend or modify any provision of the amended and restated certificate of incorporation inconsistent with, or otherwise alter, any provision of amended and restated certificate of incorporation to modify the voting, conversion or other rights, powers, preferences, privileges or restrictions of the Class B common stock;
- reclassify any outstanding shares of Class A common stock or Class C common stock into shares having rights as to dividends or liquidation that are senior to the Class B common stock or, in the case of Class A common stock, the right to have more than one vote for each share thereof and, in the case of Class C common stock, the right to have any vote for any share thereof, except as required by law;
- subject to certain exceptions, issue any shares of Class B common stock;
- authorize, or issue any shares of, any class or series of capital stock of the Company having the right to more than vote for each share thereof; or
- consummate a Liquidation Event (as defined in the amended and restated certificate of incorporation).

Our amended and restated certificate of incorporation and amended and restated bylaws provide that from and after the Voting Threshold Date (as defined in the amended and restated certificate of incorporation), we will have a classified Board of Directors consisting of three classes of approximately equal size, each serving staggered three-year terms. Only the directors in one class will be subject to election by a plurality of the votes cast at each annual meeting of stockholders, with the directors in the other classes continuing for the remainder of their respective three-year terms. Until the Voting Threshold Date, our directors will be elected annually for one-year terms. Stockholders do not have the ability to cumulate votes for the election of directors.

Dividends

Subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of our common stock are entitled to receive dividends out of funds legally available if our Board of Directors, in its discretion, determines to issue dividends and then only at the times and in the amounts that our Board of Directors may determine.

Preemptive or Similar Rights

Our common stock is not entitled to preemptive rights, and is not subject to conversion, redemption, or sinking fund provisions.

Liquidation Rights

If we become subject to a liquidation, dissolution, or winding-up, the assets legally available for distribution to our stockholders would be distributable ratably among the holders of our common stock and any participating preferred stock outstanding at that time, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights of and the payment of liquidation preferences, if any, on any outstanding shares of preferred stock.

Conversion of Class B Common Stock

Each share of Class B common stock is convertible at any time at the option of the holder into one share of Class A common stock. Shares of Class B common stock will automatically convert into shares of Class A common stock upon sale or transfer certain transfers described in our amended and restated certificate of incorporation, including estate planning transfers where sole dispositive power and exclusive voting control with respect to the shares of Class B common stock are retained by the transferring holder and transfers between our co-founders. In addition, each outstanding share of Class B common stock held by a stockholder who is a natural person, or held by the permitted entities and permitted transferees of such natural person (as described in our amended and restated certificate of incorporation), will convert automatically into one share of Class A common stock upon the death of such natural person. In the event of the death or permanent and total disability of a co-founder, shares of Class B common stock held by such co-founder, his permitted entities or permitted transferees will convert to Class A common stock, provided that the conversion will be deferred for nine months, or up to 18 months if approved by a majority of our independent directors, following his death or permanent and total and permanent disability. Transfers between our co-founders are permitted transfers and will not result in conversion of the shares of Class B common stock that are transferred; however, upon the death or total and permanent disability of the transferring co-founder, the transferred shares would convert to Class A common stock following the deferral period of nine months, or up to 18 months if approved by a majority of our independent directors.

Each share of Class B common stock will convert automatically into one share of Class A common stock upon (i) the date specified by affirmative vote of the holders of two-thirds of the then outstanding shares of Class B common stock, (ii) the date on which the outstanding shares of Class B common stock represent less than five percent of the aggregate number of shares of the then outstanding Class A common stock and Class B common stock, or (iii) nine months after the death or total disability of the last to die or become disabled of our co-founders, or such later date not to exceed a total period of 18 months after such death or disability as may be approved by a majority of our independent directors.

Conversion of Class C Common Stock

Shares of Class C common stock will convert automatically into Class A common stock, on a share-for-share basis, following the conversion of all outstanding shares of Class B common stock into shares of Class A common stock, on the date or time specified by the holders of a majority of the outstanding shares of Class A common stock, voting as a separate class.

Preferred Stock

Our Board of Directors is authorized, subject to limitations prescribed by Delaware law, to issue preferred stock in one or more series, to establish from time to time the number of shares to be included in each series, and to fix the designation, powers, preferences, and rights of the shares of each series and any of its qualifications, limitations, or restrictions, in each case without further vote or action by our stockholders. Our Board of Directors can also increase or decrease the number of shares of any series of preferred stock, but not below the number of shares of that series then outstanding, without any further vote or action by our stockholders. Our Board of Directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of our common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring, or preventing a change in control of our company and might adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock.

Anti-Takeover Effects of Delaware Law and Our Certificate of Incorporation and Bylaws

Certain provisions of Delaware law, our amended and restated certificate of incorporation, and our amended and restated bylaws, which are summarized below, may have the effect of delaying, deferring, or discouraging another person from acquiring control of us. They are also designed, in part, to encourage persons seeking to acquire control of us to negotiate first with our Board of Directors. We believe that the benefits of increased protection of our potential ability to negotiate with an unfriendly or unsolicited acquirer outweigh the disadvantages of discouraging a proposal to acquire us because negotiation of these proposals could result in an improvement of their terms.

Multi-Class Stock

As discussed above, our amended and restated certificate of incorporation provides for a multi-class common stock structure, which provides holders of Class B common stock, which includes our executive officers, employees, directors, and their affiliates, with significant influence over matters requiring stockholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets.

Separate Class B Vote for Certain Transactions

Until the Final Conversion Date, our Class B common stock will have the right to vote as a separate class on amendments to our amended and restated certificate of incorporation that affect the rights of our Class B common stock, certain reclassifications and changes in voting rights of our Class A common stock or Class C common stock, issuances of Class B common stock other than pursuant to existing rights and equity awards, authorization of stock with more than one vote per share and liquidation events.

Board of Director Vacancies

Our amended and restated certificate of incorporation and amended and restated bylaws authorize only our Board of Directors to fill vacant directorships, including newly created seats. In addition, the number of directors constituting our Board of Directors is permitted to be set only by a resolution adopted by a majority vote of our entire Board of Directors. These provisions would prevent a stockholder from increasing the size of our Board of Directors and then gaining control of our Board of Directors by filling the resulting vacancies with its own nominees. This will make it more difficult to change the composition of our Board of Directors and will promote continuity of management.

Classified Board of Directors

Our amended and restated certificate of incorporation and amended and restated bylaws provide that, from and after the time that the Class B common stock no longer represents a majority of the combined voting power of our Class A common stock and Class B common stock, or the Voting Threshold Date, our Board of Directors will be classified into three classes of directors. A third party may be discouraged from making a tender offer or otherwise attempting to obtain control of us as it is more difficult and time consuming for stockholders to replace a majority of the directors on a classified Board of Directors.

Stockholder Action; Special Meeting of Stockholders

Our amended and restated certificate of incorporation provide that until the Voting Threshold Date, our stockholders may only take action by written consent if such action is first recommended or approved by the Board of Directors. Following the Voting Threshold Date, our stockholders will not be able to take action by written consent for any matter and may only take action at annual or special meetings. As a result, a holder controlling a majority of our capital stock would not be able to amend our amended and restated bylaws or remove directors without holding a meeting of our stockholders called in accordance with our amended and restated bylaws, unless previously approved by our Board of Directors. Our amended and restated bylaws further provide that special meetings of our stockholders may be called only by a majority of our Board of Directors, the Chairman of our Board of Directors, our Chief Executive Officer or, until the Final Conversion Date, holders of 30% of the combined voting power of our Class A common stock and Class B common stock, thus limiting the ability of a stockholder to call a special meeting. These provisions might delay the ability of our stockholders to force consideration of a proposal or for stockholders controlling a majority of our capital stock to take any action, including the removal of directors.

Advance Notice Requirements for Stockholder Proposals and Director Nominations

Our amended and restated bylaws provide advance notice procedures for stockholders seeking to bring business before our annual meeting of stockholders or to nominate candidates for election as directors at our annual meeting of stockholders. Our amended and restated bylaws also specify certain requirements regarding the form and content of a stockholder’s notice. These provisions might preclude our stockholders from bringing matters before our annual meeting of stockholders or from making nominations for directors at our annual meeting of stockholders if the proper procedures are not followed. These provisions may also discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer’s own slate of directors or otherwise attempting to obtain control of our company.

No Cumulative Voting

The Delaware General Corporation Law provides that stockholders are not entitled to cumulate votes in the election of directors unless a corporation’s certificate of incorporation provides otherwise. Our amended and restated certificate of incorporation does not provide for cumulative voting.

Amendment of Charter and Bylaws Provisions

Prior to the Final Conversion Date , any amendment of our amended and restated certificate of incorporation will require approval by holders of at least two-thirds of the voting power of our then outstanding capital stock. From and after the Final Conversion Date, certain amendments to our amended and restated certificate of incorporation will require the approval of two-thirds of the outstanding voting power of our common stock. Our amended and restated bylaws provide that approval of stockholders holding two-thirds of our outstanding voting power voting as a single class is required for stockholders to amend or adopt any provision of our bylaws.

Issuance of Undesignated Preferred Stock

Our Board of Directors have the authority, without further action by our stockholders, to issue up to 240,000,000 shares of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by our Board of Directors. The existence of authorized but unissued shares of preferred stock would enable our Board of Directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest, or other means.

Delaware Anti-Takeover Statute

We are governed by the provisions of Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a public Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

- the transaction was approved by the board of directors prior to the time that the stockholder became an interested stockholder;

- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding shares owned by directors who are also officers of the corporation and shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

- at or subsequent to the time the stockholder became an interested stockholder, the business combination was approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

In general, Section 203 defines a “business combination” to include mergers, asset sales, and other transactions resulting in financial benefit to a stockholder and an “interested stockholder” as a person who, together with affiliates and associates, owns, or, within three years, did own, 15% or more of the corporation’s outstanding voting stock. These provisions may have the effect of delaying, deferring, or preventing changes in control of our company.

Exclusive Forum

Our amended and restated bylaws provide that, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or other employees to us or our stockholders, (3) any action arising pursuant to any provision of the Delaware General Corporation Law or our certificate of incorporation or bylaws, or (4) any other action asserting a claim that is governed by the internal affairs doctrine shall be the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware), in all cases subject to the court having jurisdiction over indispensable parties named as defendants. Any person or entity purchasing or otherwise acquiring any interest in our securities shall be deemed to have notice of and consented to this provision. Although we believe these provisions benefit us by providing increased consistency in the application of Delaware law for the specified types of actions and proceedings, the provisions may have the effect of discouraging lawsuits against us or our directors and officers. Our amended and restated bylaws also provide that the federal district courts of the United States will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act or a Federal Forum Provision.

As previously disclosed in our Current Report on Form 8-K filed with the SEC on December 19, 2018, in light of the decision issued by the Delaware Court of Chancery in Matthew Sciabacucchi v. Matthew B. Salzberg et al., C.A. No. 2017-0931-JTL (Del. Ch.), finding Federal Forum Provisions are not valid under Delaware law, we do not intend to enforce the Federal Forum Provision in our amended and restated bylaws unless and until such time there is a final determination by the Delaware Supreme Court regarding the validity of such provisions. To the extent the Delaware Supreme Court makes a final determination that provisions such as the Federal Forum Provision are not valid as a matter of Delaware law, our board of directors intends to amend our amended and restated bylaws to remove the Federal Forum Provision.

Listing

Our Class A common stock is listed on the Nasdaq Global Select Market under the symbol “DBX”.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare Trust Company, N.A. The transfer agent and registrar’s address is 144 Fernwood Avenue, Edison, NJ 08837.

Exhibit 10.11

DROPBOX, INC.

CHANGE IN CONTROL AND SEVERANCE AGREEMENT

This Change in Control and Severance Agreement (the “**Agreement**”) is made between Dropbox, Inc. (the “**Company**”) and [NAME] (the “**Executive**”), effective on the date of the Company’s signature below (the “**Effective Date**”).

This Agreement provides certain protections to the Executive in connection with a change in control of the Company or in connection with the involuntary termination of the Executive’s employment under the circumstances described in this Agreement.

For good and value consideration, the Company and the Executive agree as follows:

1. Term of Agreement. This Agreement will terminate when all of the obligations under this Agreement have been satisfied.

2. At-Will Employment. The Company and the Executive acknowledge that the Executive’s employment is and will continue to be at-will, as defined under applicable law.

3. Severance Benefits.

(a) Non-CIC Qualified Termination. On a Non-CIC Qualified Termination, the Executive will be eligible to receive the following payment and benefits from the Company:

(i) Salary Severance. A lump-sum payment equal to 50% of the Executive’s Base Salary.

(ii) Health Benefit. Subject to Section 3(d), the Company will pay the premiums for the Executive and the Executive’s eligible dependents to continue healthcare coverage under COBRA at the rates then in effect for active employees, subject to any subsequent changes in rates that are generally applicable to our active employees (the “**Health Benefit**”), until the earlier of (A) a period of 6 months from the date of the Executive’s termination of employment, (B) the date upon which the Executive and/or the Executive’s eligible dependents becomes covered under similar plans or (C) the date upon which the Executive ceases to be eligible for coverage under COBRA or other applicable law or policy governing such coverage.

(iii) Equity Vesting. [25% of the then-unvested shares subject to each of the Executive’s then-outstanding equity awards will vest and, in the case of options and stock appreciation rights, will become exercisable (for avoidance of doubt, no more than 25% of the shares subject to the then-outstanding portion of an equity award may vest and become exercisable under this provision). In the case of an equity award with performance-based vesting, unless otherwise specified in the applicable equity award agreement governing such award, all performance goals and other vesting criteria will be deemed achieved at 100% of target levels.] [The Executive’s then-outstanding equity awards each will vest as to the number of shares subject to the equity awards that were otherwise scheduled to vest had the Executive remained employed with the Company for 3 months following the date of the Executive’s Non-CIC Qualified Termination.] Any restricted stock units, performance shares, performance units, and/or similar full value awards that vest under this paragraph will be settled on the 61st day following the Non-CIC Qualified Termination.

(b) CIC Qualified Termination. On a CIC Qualified Termination, the Executive will be eligible to receive the following payment and benefits from the Company:

(i) Salary Severance. A lump-sum payment equal to 100% of the Executive’s Base Salary.

(ii) Bonus Severance. A lump-sum payment equal to 100% of the Executive’s target annual bonus as in effect for the fiscal year in which the CIC Qualified Termination occurs.

(iii) Health Benefit. Subject to Section 3(d), the Company will provide Health Benefit until the earlier of (A) a period of 12 months from the date of the Executive’s termination of employment, (B) the date upon which the Executive and/or the Executive’s eligible dependents becomes covered under similar plans or (C) the date upon which the Executive ceases to be eligible for coverage under COBRA or other applicable law or policy governing such coverage.

(iv) Equity Vesting. 100% of the then-unvested shares subject to each of the Executive’s then-outstanding equity awards will vest and, in the case of options and stock appreciation rights, will become exercisable (for avoidance of doubt, no more than 100% of the shares subject to the then-outstanding portion of an equity award may vest and become exercisable under this provision). In the case of an equity award with performance-based vesting, unless otherwise specified in the applicable equity award agreement governing such award, all performance goals and other vesting criteria will be deemed achieved at 100% of target levels. Any restricted stock units, performance shares, performance units, and/or similar full value awards that vest under this paragraph will be settled on the 61st day following the CIC Qualified Termination. For the avoidance of doubt, if the Executive’s

Qualified Termination occurs prior to a Change in Control, then any unvested portion of the Executive's then-outstanding equity awards will remain outstanding for 3 months or the occurrence of a Change in Control (whichever is earlier) so that any benefits due on a CIC Qualified Termination can be provided if a Change in Control occurs within 3 months following the Qualified Termination (provided that in no event will the Executive's stock options or similar equity awards remain outstanding beyond the equity award's maximum term to expiration). In that case, if no Change in Control occurs within 3 months following a Qualified Termination, any unvested portion of the Executive's equity awards automatically will be forfeited permanently on the 3-month anniversary of the Qualified Termination without having vested.

(c) Termination other than a Qualified Termination. If the termination of Executive's employment with the Company Group is not a Qualified Termination, then the Executive will not be eligible to receive severance or other benefits.

(d) Conditions to Receipt of Health Benefit. To the extent the Executive is covered under the Company's U.S. health plans as of the time of the Executive's Qualified Termination, the Executive's receipt of Health Benefit is subject to the Executive electing COBRA continuation coverage within the time period prescribed pursuant to COBRA for the Executive and the Executive's eligible dependents. If the Company determines in its sole discretion that it cannot provide the Health Benefit without potentially violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Company will in lieu thereof provide to the Executive a taxable monthly payment payable on the Company's regularly scheduled payroll dates (except as provided by the following sentence), in an amount equal to the monthly COBRA premium that the Eligible Employee would be required to pay to continue his or her group health coverage in effect on the date of his or her Qualified Termination (which amount will be based on the rates then in effect for active employees, subject to any subsequent changes in rates that are generally applicable to our active employees) (each, a "**Health Replacement Payment**"), which Health Replacement Payments will be made regardless of whether the Executive elects COBRA continuation coverage and will end on the earlier of (x) the date upon which the Executive obtains other employment or (y) the date the Company has paid an amount totaling the number of Health Replacement Payments equal to the number of months in the applicable Health Benefit period. For the avoidance of doubt, the Health Replacement Payments may be used for any purpose, including, but not limited to continuation coverage under COBRA, and will be subject to all applicable tax withholdings. Notwithstanding anything to the contrary under this Agreement, if at any time the Company determines in its sole discretion that it cannot provide the Health Replacement Payments without violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Executive will not receive the Health Replacement Payments or any further Health Benefit.

(e) Non-Duplication of Payment or Benefits. If (i) the Executive's Qualified Termination occurs prior to a Change in Control that qualifies Executive for severance payments and benefits under Section 3(a) and (ii) a Change in Control occurs within the 3-month period following Executive's Qualified Termination that qualifies Executive for severance payments and benefits under Section 3(b), then (A) the Executive will cease receiving any further payments or benefits under Section 3(a) and (B) the Executive will receive the payments and benefits under Section 3(b) instead but each of the payments and benefits otherwise payable under Section 3(b) will be offset by the corresponding payments or benefits the Executive already received under Section 3(a).

(f) Death of the Executive. If the Executive dies before all payments or benefits the Executive is entitled to receive under this Agreement have been paid, the unpaid amounts will be paid to the Executive's designated beneficiary, if living, or otherwise to the Executive's personal representative in a lump-sum payment as soon as possible following the Executive's death.

(g) Transfer between the Company Group. For purposes of this Agreement, if the Executive is involuntarily transferred from one member of the Company Group to another, the transfer will not be a termination without Cause but may give the Executive the ability to resign for Good Reason, subject to Section 7(k).

(h) Exclusive Remedy. In the event of a termination of the Executive's employment with the Company Group, the provisions of this Agreement are intended to be and are exclusive and in lieu of any other rights or remedies to which the Executive may otherwise be entitled, whether at law, tort or contract, in equity. The Executive will be entitled to no benefits, compensation or other payments or rights upon termination of employment other than those benefits expressly set forth in this Agreement, subject to applicable law.

4. Accrued Compensation. On any termination of the Executive's employment with the Company Group, the Executive will be entitled to receive all accrued but unpaid vacation (if any), expense reimbursements, wages, and other benefits due to the Executive under any Company-provided plans, policies, and arrangements.

5. Conditions to Receipt of Severance.

(a) Separation Agreement and Release of Claims. The Executive's receipt of any severance payments or benefits upon the Executive's Qualified Termination under Section 3 is subject to the Executive signing and not revoking the Company's then-standard separation agreement and release of claims (which may include an agreement not to disparage any member of the Company Group, a confidentiality clause, non-solicit provisions, an agreement to assist in any litigation matters, and other standard terms and conditions) (the "**Release**" and that requirement, the "**Release Requirement**"), which must become effective and irrevocable no later than the 60th day following the Executive's Qualified Termination (the "**Release Deadline**"). If the Release does not become effective and irrevocable by the Release Deadline, the Executive will forfeit any right to severance payments or benefits under Section 3. In no event will severance payments or benefits under Section 3 be earned or provided until the Release actually becomes effective and irrevocable. If earned, none of the severance payments and benefits payable upon the Executive's Qualified Termination under Section 3 will be paid or otherwise provided prior to the 60th day following the Executive's Qualified Termination. Except with respect to (1) the extent that payments are delayed under Section 5(c), or (2) the timing of settlement of equity awards under Section 3(a)(iii) or Section 3(b)(iv), on the first regular payroll pay day following the 60th day following the Executive's Qualified Termination, the Company will pay or provide the Executive the severance payments and benefits that the Executive would otherwise have received under Section 3 on or prior to that date, with the balance of the severance payments and benefits being paid or provided as originally scheduled.

(b) Return of Company Property. The Executive's receipt of any severance payments or benefits upon the Executive's Qualified Termination under Section 3 is subject to the Executive returning all documents and other property provided to Executive by any member of the Company Group (with the exception of a copy of the Employee Handbook and personnel documents specifically relating to Executive), developed or obtained by Executive in connection with his employment with the Company Group, or otherwise belonging to the Company Group.

(c) Section 409A. The Company intends that all payments and benefits provided under this Agreement or otherwise are exempt from, or comply with, the requirements of Section 409A of the Code and any guidance promulgated under Section 409A of the Code (collectively, "**Section 409A**") so that none of the payments or benefits will be subject to the additional tax imposed under Section 409A, and any ambiguities in this Agreement will be interpreted in accordance with this intent. No payment or benefits to be paid to the Executive, if any, under this Agreement or otherwise, when considered together with any other severance payments or separation benefits that are considered deferred compensation under Section 409A (together, the "**Deferred Payments**") will be paid or otherwise provided until the Executive has a "separation from service" within the meaning of Section 409A. If, at the time of the Executive's termination of employment, the Executive is a "specified employee" within the meaning of Section 409A, then the payment of the Deferred Payments will be delayed to the extent necessary to avoid the imposition of the additional tax imposed under Section 409A, which generally means that the Executive will receive payment on the first payroll date that occurs on or after the date that is 6 months and 1 day following the Executive's termination of employment. The Company reserves the right to amend this Agreement as it considers necessary or advisable, in its sole discretion and without the consent of the Executive or any other individual, to comply with any provision required to avoid the imposition of the additional tax imposed under Section 409A or to otherwise avoid income recognition under Section 409A prior to the actual payment of any benefits or imposition of any additional tax. Each payment, installment, and benefit payable under this Agreement is intended to constitute a separate payment for purposes of U.S. Treasury Regulation Section 1.409A-2(b)(2). In no event will any member of the Company Group reimburse the Executive for any taxes that may be imposed on the Executive as a result of Section 409A.

(d) Resignation of Officer and Director Positions. The Executive's receipt of any severance payments or benefits upon the Executive's Qualified Termination under Section 3 is subject to the Executive resigning from all officer and director positions with all members of the Company Group and Executive executing any documents the Company may require in connection with the same.

6. Limitation on Payments.

(a) Reduction of Severance Benefits. If any payment or benefit that the Executive would receive from any Company Group member or any other party whether in connection with the provisions in this Agreement or otherwise (the "**Payment**") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then the Payment will be equal to the Best Results Amount. The "**Best Results Amount**" will be either (x) the full amount of the Payment or (y) a lesser amount that would result in no portion of the Payment being subject to the Excise Tax, whichever of those amounts, taking into account the applicable federal, state and local employment taxes, income taxes and the Excise Tax, results in the Executive's receipt, on an after-tax basis, of the greater amount. If a reduction in payments or benefits constituting parachute payments is necessary so that the Payment equals the Best Results Amount, reduction will occur in the following order: reduction of cash payments; cancellation of accelerated vesting of stock awards; reduction of employee benefits. In the event that acceleration of vesting of stock award compensation is to be reduced, the acceleration of vesting will be cancelled in the reverse order of the date of grant of the Executive's equity awards unless the Executive elects in writing a different order for cancellation. The Executive will be solely responsible for the payment of all personal tax liability that is incurred as a result of the payments and benefits received under this Agreement, and the Executive will not be reimbursed by any member of the Company Group for any of those payments of personal tax liability.

(b) Determination of Excise Tax Liability. The Company will select a professional services firm to make all of the determinations required to be made under these paragraphs relating to parachute payments. The Company will request that firm provide detailed supporting calculations both to the Company and the Executive prior to the date on which the event that triggers the Payment occurs if administratively feasible, or subsequent to that date if events occur that result in parachute payments to the Executive at that time. For purposes of making the calculations required under these paragraphs relating to parachute payments, the firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith determinations concerning the application of the Code. The Company and the Executive will furnish to the firm any information and documents as the firm may reasonably request in order to make a determination under these paragraphs relating to parachute payments. The Company will bear all costs the firm may reasonably incur in connection with any calculations contemplated by these paragraphs relating to parachute payments. Any determination by the firm will be binding upon the Company and the Executive, and the Company will have no liability to the Executive for the determinations of the firm.

7. Definitions. The following terms referred to in this Agreement will have the following meanings:

(a) "**Base Salary**" means the Executive's annual base salary as in effect immediately prior to the Executive's Qualified Termination (or if the termination is due to a resignation for Good Reason based on a material reduction in base salary, then the Executive's annual base salary in effect immediately prior to the reduction) or, if the Executive's Qualified Termination is a CIC Qualified Termination and the amount is greater, at the level in effect immediately prior to the Change in Control.

(b) "**Board**" means the Company's Board of Directors.

(c) "**Cause**" means the occurrence of any of the following: (i) any willful, material violation by the Executive of any law or regulation applicable to the business of any Company Group member, the Executive's conviction for, or plea of guilty or no contest to, a felony or a crime involving moral turpitude, or any willful perpetration by the Executive of a common law fraud, (ii) the Executive's commission of an act of personal dishonesty which involves personal profit in connection with any Company Group member or any other entity having a business relationship with any Company Group member, (iii) any material breach by the Executive of any provision of any agreement or understanding between any Company Group member and the Executive regarding the terms of the Executive's service as an employee, officer, director or consultant to any Company Group member, including without limitation, the willful and continued failure or refusal of the Executive to perform the material duties required of the Executive as an employee, officer, director or consultant of any Company Group member, other than as a result of having a Disability, or a breach of any applicable invention assignment and confidentiality agreement or similar agreement between any Company Group member and the Executive, (iv) the Executive's disregard of the policies of any Company Group member so as to cause loss, damage or injury to the property, reputation or employees of any Company Group member, or (v) any other misconduct by the Executive which is materially injurious to the financial condition or business reputation of, or is otherwise materially injurious to, any Company Group member.

(d) "**Change in Control**" means the occurrence of any of the following events:

(i) A change in the ownership of the Company which occurs on the date that any one person, or more than one person acting as a group ("**Person**"), acquires ownership of the stock of the Company that, together with the stock held by such Person, constitutes more than 50% of the total voting power of the stock of the Company; provided, however, that for purposes of this subsection, (A) the acquisition of additional stock by any one Person, who is considered to own more than 50% of the total voting power of the stock of the Company will not be considered a Change in Control, and (B) if the stockholders of the Company immediately before such change in ownership continue to retain immediately after the change in ownership, in substantially the same proportions as their ownership of shares of the Company's voting stock immediately prior to the change in ownership, the direct or indirect beneficial ownership of 50% or more of the total voting power of the stock of the Company or of the ultimate parent entity of the Company, such event will not be considered a Change in Control under this subsection (i). For this purpose, indirect beneficial ownership will include, without limitation, an interest resulting from ownership of the voting securities of one or more corporations or other business entities which own the Company, as the case may be, either directly or through one or more subsidiary corporations or other business entities; or

(ii) A change in the effective control of the Company which occurs on the date that a majority of members of the Board is replaced during any 12-month period by members of the Board whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purposes of this subsection (ii), if any Person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a Change in Control; or

(iii) A change in the ownership of a substantial portion of the Company's assets which occurs on the date that any Person acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions; provided, however, that for purposes of this subsection (iii), the following will not constitute a change in the ownership of a substantial portion of the Company's assets: (A) a transfer to an entity that is controlled by the Company's stockholders immediately after the transfer, or (B) a transfer of assets by the Company to: (1) a stockholder of the Company (immediately before the asset transfer) in exchange for or with respect to the Company's stock, (2) an entity, 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company, (3) a Person, that owns, directly or indirectly, 50% or more of the total value or voting power of all the outstanding stock of the Company, or (4) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly, by a Person described in this subsection (iii)(B)(3). For purposes of this subsection (iii), gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

For purposes of this definition, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company.

Notwithstanding the foregoing, a transaction will not be deemed a Change in Control unless the transaction qualifies as a change in control event within the meaning of Section 409A.

Further and for the avoidance of doubt, a transaction will not constitute a Change in Control if: (i) its sole purpose is to change the state of the Company's incorporation, or (ii) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

(e) "**Change in Control Period**" means the period beginning 3 months prior to a Change in Control and ending 12 months following a Change in Control.

(f) "**COBRA**" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

(g) "**Code**" means the Internal Revenue Code of 1986, as amended.

(h) "**Company Group**" means the Company and its subsidiaries.

(i) "**Disability**" means a disability, whether temporary or permanent, partial or total, as determined by the Board or its authorized committee.

(j) "**Employment Letter**" means the employment letter between the Company and the Executive dated September 28, 2019 (the "**Employment Letter**").

(k) "**Good Reason**" means the termination of the Executive's employment with the Company Group by the Executive after the occurrence of one or more of the following events without the Executive's express written consent:

(i) during the Change in Control Period: (1) a material reduction of the Executive's duties, authorities, or responsibilities relative to the Executive's duties, authorities, or responsibilities in effect immediately prior to the reduction; [provided, however, that continued employment following a Change in Control with substantially the same duties, authorities, or responsibilities with respect to the Company Group's business and operations will not constitute "Good Reason" (for example, "Good Reason" does not exist if the Executive is employed by the Company Group or a successor with substantially the same duties, authorities, or responsibilities with respect to the Company Group's business that the Executive had immediately prior to the Change in Control regardless of whether the Executive's title is revised to reflect the Executive's placement within the overall corporate hierarchy or whether the Executive provides services to a subsidiary, affiliate, business unit or otherwise);] (2) a reduction by a Company Group member in the Executive's rate of annual base salary by more than 20%; provided, however, that, a reduction of annual base salary that also applies to substantially all other similarly situated employees of the Company Group members will not constitute "Good Reason"; (3) a material change in the geographic location of the Executive's primary work facility or location by more than 50 miles from the Executive's then present location; provided, that a relocation to a location that is within 50 miles from the Executive's then-present primary residence will not be considered a material change in geographic location, or (4) failure of a successor corporation to assume the obligations under this Agreement as contemplated by Section 8(a); <u>or</u>

(ii) outside the Change in Control Period: (1) a reduction by a Company Group member in the Executive's rate of annual base salary by more than 20%; provided, however, that, a reduction of annual base salary that also applies to substantially all other similarly situated employees of the Company Group members will not constitute "Good Reason"; (2) a material change in the geographic location of the Executive's primary work facility or location by more than 50 miles from the Executive's then present location; provided, that a relocation to a location that is within 50 miles from the Executive's then-present primary residence will not be considered a material change in geographic location, or (3) failure of a successor corporation to assume the obligations under this Agreement as contemplated by Section 8(a).

In order for the termination of the Executive's employment with a Company Group member to be for Good Reason, the Executive must not terminate employment without first providing written notice to the Company of the acts or omissions constituting the grounds for "Good Reason" within 30 days of the initial existence of the grounds for "Good Reason" and a cure period of 30 days following the date of written notice (the "**Cure Period**"), the grounds must not have been cured during that time, and the Executive must terminate the Executive's employment within 30 days following the Cure Period.

(l) "**Qualified Termination**" means a termination of the Executive's employment either (i) by a Company Group member without Cause (excluding by reason of Executive's death or Disability) or (ii) by the Executive for Good Reason, in either case, during the Change in Control Period (a "**CIC Qualified Termination**") or outside of the Change in Control Period (a "**Non-CIC Qualified Termination**").

8. <u>Successors</u>.

(a) <u>The Company's Successors</u>. Any successor (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company Group's business and/or assets must assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform those obligations in the absence of a succession. For all purposes under this Agreement, the terms "Company" and "Company Group" will include any successor to their business and/or assets which executes and delivers the assumption agreement described in this Section 8(a) or which becomes bound by the terms of this Agreement by operation of law.

(b) The Executive's Successors. The terms of this Agreement and all rights of the Executive under this Agreement will inure to the benefit of, and be enforceable by, the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees.

9. Notice.

(a) General. All notices and other communications required or permitted under this Agreement shall be in writing and will be effectively given (i) upon actual delivery to the party to be notified, (ii) upon transmission by e-mail, (iii) 24 hours after confirmed facsimile transmission, (iv) 1 business day after deposit with a recognized overnight courier or (v) 3 business days after deposit with the U.S. Postal Service by first class certified or registered mail, return receipt requested, postage prepaid, addressed (A) if to the Executive, at the address the Executive shall have most recently furnished to the Company in writing, (B) if to the Company, at the following address:

Dropbox, Inc.
1800 Owens Street
Suite 200
San Francisco, CA 94158
Attention: Vice President Corporate Legal

(b) Notice of Termination. Any termination of Executive by a Company Group member for Cause will be communicated by a notice of termination to the Executive, and any termination by the Executive for Good Reason will be communicated by a notice of termination to the Company, in each case given in accordance with Section 9(a) of this Agreement. The notice will indicate the specific termination provision in this Agreement relied upon, will set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated, and will specify the termination date (which will be not more than 30 days after the later of (i) the giving of the notice or (ii) the end of any applicable cure period). The termination of the Executive's employment for any reason will also constitute, without any further required action by the Executive, the Executive's voluntary resignation from all officer and/or director positions held at any member of the Company Group, and at the Board's request, the Executive will execute any documents reasonably necessary to reflect that resignation.

10. Miscellaneous Provisions.

(a) No Duty to Mitigate. The Executive will not be required to mitigate the amount of any payment contemplated by this Agreement, nor will any payment be reduced by any earnings that the Executive may receive from any other source.

(b) Waiver; Amendment. No provision of this Agreement will be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by an authorized officer of the Company (other than the Executive) and by the Executive. No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party will be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Headings. All captions and section headings used in this Agreement are for convenient reference only and do not form a part of this Agreement.

(d) Entire Agreement. This Agreement, together with the Employment Letter, constitutes the entire agreement of the parties and supersedes in their entirety all prior representations, understandings, undertakings or agreements (whether oral or written and whether expressed or implied) of the parties with respect to the subject matter of this Agreement, including, for the avoidance of doubt, any other employment letter or agreement, severance policy or program, or equity award agreement.

(e) Choice of Law. This Agreement will be governed by the laws of the State of California without regard to California's conflicts of law rules that may result in the application of the laws of any jurisdiction other than California. To the extent that any lawsuit is permitted under this Agreement, Employee hereby expressly consents to the personal and exclusive jurisdiction and venue of the state and federal courts located in California for any lawsuit filed against the Executive by the Company.

(f) Arbitration. Any and all controversies, claims, or disputes with anyone under this Agreement (including the Company and any employee, officer, director, stockholder or benefit plan of the Company in their capacity as such or otherwise) arising out of, relating to, or resulting from Executive's employment with the Company Group, shall be subject to arbitration in accordance with the provisions of the Employment Letter.

(g) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement will not affect the validity or enforceability of any other provision of this Agreement, which will remain in full force and effect.

(h) Withholding. All payments and benefits under this Agreement will be paid less applicable withholding taxes. The Company is authorized to withhold from any payments or benefits all federal, state, local, and/or foreign taxes required to be withheld from the payments or benefits and make any other required payroll deductions. No member of the Company Group will pay the Executive's taxes arising from or relating to any payments or benefits under this Agreement.

(i) Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

[Signature page follows.]

By its signature below, each of the parties signifies its acceptance of the terms of this Agreement, in the case of the Company by its duly authorized officer.

COMPANY DROPBOX, INC.

By: ______

Title: __

Date: __

EXECUTIVE ______

[NAME]

Date: __

[Signature page to Change in Control and Severance Agreement]

DROPBOX, INC.
2018 EQUITY INCENTIVE PLAN
RESTRICTED STOCK AWARD AGREEMENT

NOTICE OF GRANT OF RESTRICTED STOCK

Unless otherwise defined herein, the terms defined in the Dropbox, Inc. 2018 Equity Incentive Plan (the "Plan") will have the same defined meanings in this Restricted Stock Award Agreement which includes the Notice of Grant of Restricted Stock (the "Notice of Grant"), the Terms and Conditions of Restricted Stock Grant, attached hereto as Exhibit A, and all other exhibits, appendices, and addenda attached hereto (the "Award Agreement").

Participant Name:

Address:

The undersigned Participant has been granted the right to receive an Award of Shares of Restricted Stock, subject to the terms and conditions of the Plan and this Award Agreement, as follows:

Grant Number: ________________________________

Date of Grant: ________________________________

Vesting Commencement Date: ________________________________

Number of Shares of Restricted Stock: ________________________________

Vesting Schedule:

Subject to any acceleration provisions contained in the Plan or set forth below, the Shares of Restricted Stock will be scheduled to vest and the Company's right to reacquire the Restricted Stock will be scheduled to lapse in accordance with the following schedule:

[Twenty-five percent (25%) of the Shares of Restricted Stock will vest on the one (1)-year anniversary of the Vesting Commencement Date, and one sixteenth (1/16th) of the Shares of Restricted Stock will vest on each Quarterly Vesting Date (as defined below) thereafter, subject to Participant continuing to be a Service Provider through each such date.**]**

A "Quarterly Vesting Date" is the first trading day on or after each of February 15, May 15, August 15, and November 15.

By Participant's signature and the signature of the representative of the Company below, Participant and the Company agree that this Award of Restricted Stock is granted under and governed by the terms and conditions of the Plan and this Award Agreement, including the Terms and Conditions of Restricted Stock Grant, attached hereto as Exhibit A, and all other exhibits, appendices and addenda attached hereto, all of which are made a part of this document. Participant acknowledges receipt of a copy of the Plan. Participant has reviewed the Plan and this Award Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Award Agreement and fully understands all provisions of the Plan and this Award Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions relating to the Plan and Award Agreement. Participant further agrees to notify the Company upon any change in the residence address indicated below.

PARTICIPANT DROPBOX, INC.

____ ____

Signature Signature

Print Name Print Name

Title

Title

Address:

(a)
EXHIBIT A

TERMS AND CONDITIONS OF RESTRICTED STOCK GRANT

1. Grant of Shares of Restricted Stock. The Company hereby grants to the individual ("Participant") named in the Notice of Grant of Restricted Stock of this Award Agreement (the "Notice of Grant") under the Plan an Award of Shares of Restricted Stock, subject to the terms and conditions of this Award Agreement and the Plan, which is incorporated herein by reference. Subject to Section 19(c) of the Plan, in the event of a conflict between the terms and conditions of the Plan and this Award Agreement, the terms and conditions of the Plan shall prevail.

2. Vesting Schedule. Except as provided in Section 3 and subject to Sections 4 and 7, the Shares of Restricted Stock awarded by this Award Agreement will vest in accordance with the vesting provisions set forth in the Notice of Grant. Shares of Restricted Stock scheduled to vest on a certain date or upon the occurrence of a certain condition will not vest in accordance with any of the provisions of this Award Agreement, unless Participant will have been continuously a Service Provider from the Date of Grant until the date such vesting occurs.

3. Administrator Discretion. The Administrator, in its discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested Shares of Restricted Stock subject to this Award Agreement at any time, subject to the terms of the Plan. If so accelerated, such Shares of Restricted Stock will be considered as having vested as of the date specified by the Administrator.

4. Forfeiture Upon Termination as a Service Provider. Unless specifically provided otherwise in this Award Agreement or other written agreement between Participant and the Company or any of its Subsidiaries or Parents, as applicable, the balance of the Shares of Restricted Stock that have not vested as of the time Participant ceases to be a Service Provider for any or no reason will be forfeited and automatically transferred to and reacquired by the Company at no cost to the Company upon the date of such termination and Participant will have no further rights thereunder. Participant will not be entitled to a refund of the price paid for the Shares of Restricted Stock, if any, returned to the Company pursuant to this Section 4. Participant hereby appoints the Escrow Agent with full power of substitution, as Participant's true and lawful attorney-in-fact with irrevocable power and authority in the name and on behalf of Participant to take any action and execute all documents and instruments, including, without limitation, stock powers which may be necessary to transfer the certificate or certificates evidencing such unvested Shares to the Company upon such termination of service.

5. Tax Consequences. Participant has reviewed with his or her own tax advisors the U.S. federal, state, local and non-U.S. tax consequences of this investment and the transactions contemplated by this Award Agreement. With respect to such matters, Participant relies solely on such advisors and not on any statements or representations of the Company or any of its agents, written or oral. Participant understands that Participant (and not the Company) shall be solely responsible for Participant's own tax liability that may arise as a result of this investment or the transactions contemplated by this Award Agreement.

6. Death of Participant. Any distribution or delivery to be made to Participant under this Award Agreement will, if Participant is then deceased, be made to Participant's designated beneficiary, or if no beneficiary survives Participant, the administrator or executor of Participant's estate. Any such transferee must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence

satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

7. <u>Tax Obligations</u>

(a) <u>Responsibility for Taxes</u>. Participant acknowledges that, regardless of any action taken by the Company or, if different, Participant's employer (the "Employer") or any Parent or Subsidiary to which Participant is providing services (together, the "Service Recipients"), the ultimate liability for any tax and/or social insurance liability obligations and requirements in connection with the Shares of Restricted Stock, including, without limitation, (i) all federal, state, and local taxes (including Participant's Federal Insurance Contributions Act (FICA) obligations) that are required to be withheld by any Service Recipient or other payment of tax-related items related to Participant's participation in the Plan and legally applicable to Participant, (ii) Participant's and, to the extent required by any Service Recipient, the Service Recipient's fringe benefit tax liability, if any, associated with the grant, vesting, or release from escrow of the Shares of Restricted Stock, the filing of an election under Section 83(b) of the Code (the "83(b) Election") with respect to the Shares of Restricted Stock, or the sale of Shares, and (iii) any other Service Recipient taxes the responsibility for which Participant has, or has agreed to bear, with respect to the Shares of Restricted Stock (or exercise thereof or issuance of Shares thereunder) (collectively, the "Tax Obligations"), is and remains Participant's sole responsibility and may exceed the amount actually withheld by the applicable Service Recipient(s). Participant further acknowledges that no Service Recipient (A) makes any representations or undertakings regarding the treatment of any Tax Obligations in connection with any aspect of the Shares of Restricted Stock, including, but not limited to, the grant, vesting or release from escrow of the Shares of Restricted Stock, the filing of an 83(b) Election with respect to the Shares of Restricted Stock, the subsequent sale of Shares acquired pursuant to this Award Agreement and the receipt of any dividends or other distributions (subject to Section 14(f)), and (B) makes any commitment to and is under any obligation to structure the terms of the grant or any aspect of the Shares of Restricted Stock to reduce or eliminate Participant's liability for Tax Obligations or achieve any particular tax result. Further, if Participant is subject to Tax Obligations in more than one jurisdiction between the Date of Grant and the date of any relevant taxable or tax withholding event, as applicable, Participant acknowledges that the applicable Service Recipient(s) (or former employer, as applicable) may be required to withhold or account for Tax Obligations in more than one jurisdiction. If Participant fails to make satisfactory arrangements for the payment of any required Tax Obligations hereunder at the time of the applicable taxable event, Participant acknowledges and agrees that the Company may refuse to issue or deliver the Shares. Participant understands that Section 83 of the Code), taxes as ordinary income the difference between the purchase price, if any, for the Shares and the Fair Market Value of the Shares as of each vesting date. If Participant is a U.S. taxpayer, Participant understands that Participant may elect, for purposes of U.S. tax law, to be taxed at the time the Shares are granted rather than when such Shares vest by filing an 83(b) Election with the IRS within thirty (30) days from the date of grant of the Restricted Stock Award.

(b) <u>Tax Withholding</u>. Notwithstanding any contrary provision of this Award Agreement, no certificate representing the Shares of Restricted Stock may be released from the escrow established pursuant to Section 14, unless and until satisfactory arrangements (as determined by the Administrator) will have been made by Participant with respect to the payment of all Tax Obligations. When Shares of Restricted Stock are vested, Participant generally will recognize immediate U.S. taxable income if Participant is a U.S. taxpayer. If Participant is a non-U.S. taxpayer, Participant will be subject to applicable taxes in his or her jurisdiction. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit Participant to satisfy such Tax Obligations, in whole or in part (without limitation), if permissible by applicable local law, by (i) paying cash, (ii) electing to have the Company withhold otherwise deliverable Shares having a fair market value equal to the minimum amount that is necessary to meet the withholding requirement for such Tax Obligations (or such greater amount as Participant may elect if permitted by the Administrator, if such greater amount would not result in adverse financial accounting consequences), (iii) withholding the amount of such Tax Obligations from Participant's wages or other cash compensation paid to Participant by the Company and/or the Service Recipient, (iv) delivering to the Company already vested and owned Shares having a fair market value equal to such Tax Obligations, or (v) selling a sufficient number of such Shares otherwise deliverable to Participant through such means as the Company may determine in its sole discretion (whether through a broker or otherwise) equal to the minimum amount that is necessary to meet the withholding requirement for such Tax Obligations (or such greater amount as Participant may elect if permitted by the Administrator, if such greater amount would not result in adverse financial accounting consequences). To the extent determined appropriate by the Company in its discretion, it will have the right (but not the obligation) to satisfy any Tax Obligations by reducing the number of Shares otherwise deliverable to Participant and, until determined otherwise by the Company, this will be the method by which such Tax Obligations are satisfied. Further, if Participant is subject to tax in more than one jurisdiction between the Date of Grant and a date of any relevant taxable or tax withholding

event, as applicable, Participant acknowledges and agrees that the Company and/or the Service Recipient (and/or former employer, as applicable) may be required to withhold or account for tax in more than one jurisdiction.

(c) <u>No Representations</u>. Participant has reviewed with his or her own tax advisers the U.S. federal, state, local and non-U.S. tax consequences investment and the transactions contemplated by this Award Agreement. With respect to such matters, Participant relies solely on such advisers and not on any statements or representations of the Company or any of its agents, written or oral. Participant understands that Participant (and not the Company) shall be responsible for Participant's own tax liability that may arise as a result of this investment or the transactions contemplated by this Award Agreement.

(a) <u>Company's Obligation to Release Shares</u>. For clarification purposes, in no event will the Company release Shares from the escrow established pursuant to Section 14 unless and until arrangements satisfactory to the Administrator have been made for the payment of Participant's Tax Withholding Obligation. If Participant fails to make satisfactory arrangements for the payment of such Tax Withholding Obligations hereunder at the time any applicable Shares of Restricted Stock otherwise are scheduled to vest pursuant to Sections 2 or 3, at the time Participant's Tax Withholding Obligations otherwise become due, Participant will permanently forfeit such Shares of Restricted Stock to which Participant's Tax Withholding Obligation relates and any right to receive Shares thereunder and such Shares of Restricted Stock will be returned to the Company at no cost to the Company.

8. <u>Rights as Stockholder</u>. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares (which may be in book entry form) will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant (including through electronic delivery to a brokerage account) or the Escrow Agent. Except as provided in Section 14(f), after such issuance, recordation and delivery, Participant will have all the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

9. <u>No Guarantee of Continued Service</u>. PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF THE SHARES OF RESTRICTED STOCK PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER, WHICH UNLESS PROVIDED OTHERWISE UNDER APPLICABLE LAW IS AT THE WILL OF THE APPLICABLE SERVICE RECIPIENT, AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS RESTRICTED STOCK AWARD OR ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AWARD AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE IN ANY WAY WITH PARTICIPANT'S RIGHT OR THE RIGHT OF ANY SERVICE RECIPIENT TO TERMINATE PARTICIPANT'S RELATIONSHIP AS A SERVICE PROVIDER, SUBJECT TO APPLICABLE LAW, WHICH TERMINATION, UNLESS PROVIDED OTHERWISE UNDER APPLICABLE LAW, MAY BE AT ANY TIME, WITH OR WITHOUT CAUSE.

10. <u>Grant is Not Transferable</u>. Except for the escrow described in Section 14 or transfer of the Shares to the Company or its assignees contemplated by this Award Agreement, and except to the limited extent provided in Section 6, the unvested Shares subject to this Award Agreement and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process until such Shares shall have vested in accordance with the provisions of this Award Agreement. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of the unvested Shares subject to this Award Agreement, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, the then-unvested Shares of Restricted Stock will thereupon be forfeited at no cost to the Company and Participant will have no further rights thereunder.

11. <u>Nature of Grant</u>. In accepting this Award of Restricted Stock, Participant acknowledges, understands and agrees that:

(a) **the grant of the Shares of Restricted Stock is voluntary and occasional and does not create any contractual or other right to receive future grants of Shares of Restricted Stock, or benefits in lieu of Shares of Restricted Stock, even if Shares of Restricted Stock have been granted in the past;**

(b) **all decisions with respect to future grants of Restricted Stock or other grants, if any, will be at the sole discretion of the Administrator;**

(c) **Participant is voluntarily participating in the Plan;**

(d) **the Shares of Restricted Stock are not intended to replace any pension rights or compensation;**

(e) **the Shares of Restricted Stock, and the income and value of same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;**

(f) **the future value of the underlying Shares is unknown, indeterminable and cannot be predicted;**

(g) **for purposes of the Shares of Restricted Stock, Participant's status as a Service Provider will be considered terminated as of the date Participant is no longer actively providing services to the Company or any Parent or Subsidiary (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant's employment or service agreement, if any), and unless otherwise expressly provided in this Award Agreement (including by reference in the Notice of Grant to other arrangements or contracts) or determined by the Administrator, Participant's right to vest in the Shares of Restricted Stock under the Plan, if any, will terminate as of such date and will not be extended by any notice period (e.g., Participant's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant's employment or service agreement, if any, unless Participant is providing bona fide services during such time); the Administrator shall have the exclusive discretion to determine when Participant is no longer actively providing services for purposes of the Restricted Stock Award (including whether Participant may still be considered to be providing services while on a leave of absence and consistent with local law);**

(h) **unless otherwise provided in the Plan or by the Administrator in its discretion, the Shares of Restricted Stock and the benefits evidenced by this Award Agreement do not create any entitlement to have the Shares of Restricted Stock or any such benefits transferred to, or assumed by, another company nor be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and**

(i) **the following provisions apply only if Participant is providing services outside the United States:**

(i) **the Shares of Restricted Stock are not part of normal or expected compensation or salary for any purpose;**

(ii) **Participant acknowledges and agrees that no Service Recipient shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the Shares of Restricted Stock or the subsequent sale of any Shares; and**

(iii) **no claim or entitlement to compensation or damages shall arise from forfeiture of the Restricted Stock resulting from the termination of Participant's status as a Service Provider (for any reason whatsoever whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant's employment or service agreement, if any), and in consideration of the grant of the Restricted Stock to which Participant is otherwise not entitled, Participant irrevocably agrees never to institute any claim against any Service Recipient, waives his or her ability, if any, to bring any such claim, and releases each Service Recipient from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, Participant shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claim.**

12. No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan, or

Participant's acquisition or sale of the underlying Shares. Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

13. <u>Data Privacy</u>. Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Participant's personal data as described in this Award Agreement and any other Restricted Stock grant materials by and among, as applicable, the Service Recipients for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan.

Participant understands that the Company and the Service Recipient may hold certain personal information about Participant, including, but not limited to, Participant's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all Shares of Restricted Stock or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor ("Data"), for the exclusive purpose of implementing, administering and managing the Plan.

Participant understands that Data may be transferred to a stock plan service provider, as may be selected by the Company in the future, assisting the Company with the implementation, administration and management of the Plan. Participant understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipients' country of operation (e.g., the United States) may have different data privacy laws and protections than Participant's country. Participant understands that if he or she resides outside the United States, he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. Participant authorizes the Company, any stock plan service provider selected by the Company and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan. Participant understands that Data will be held only as long as is necessary to implement, administer and manage Participant's participation in the Plan. Participant understands if he or she resides outside the United States, he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing his or her local human resources representative. Further, Participant understands that he or she is providing the consents herein on a purely voluntary basis. If Participant does not consent, or if Participant later seeks to revoke his or her consent, his or her status as a Service Provider and career with the Service Recipient will not be adversely affected. The only adverse consequence of refusing or withdrawing Participant's consent is that the Company would not be able to grant Participant Restricted Stock or other equity awards or administer or maintain such awards. Therefore, Participant understands that refusing or withdrawing his or her consent may affect Participant's ability to participate in the Plan. For more information on the consequences of Participant's refusal to consent or withdrawal of consent, Participant understands that he or she may contact his or her local human resources representative.

14. <u>Escrow of Shares</u>.

(a) All Shares of Restricted Stock will, upon execution of this Award Agreement, be delivered and deposited with an escrow holder designated by the Company (the "Escrow Holder"). The Shares of Restricted Stock will be held by the Escrow Holder until such time as the Shares of Restricted Stock vest or the date Participant ceases to be a Service Provider.

(b) The Escrow Holder will not be liable for any act it may do or omit to do with respect to holding the Shares of Restricted Stock in escrow and while acting in good faith and in the exercise of its judgment.

(c) Upon Participant ceasing to be a Service Provider for any reason, the Escrow Holder, upon receipt of written notice of such termination, will take all steps necessary to accomplish the transfer of the unvested Shares of Restricted Stock to the Company. Participant hereby appoints the Escrow Holder with full power of substitution, as Participant's true and lawful attorney-in-fact with irrevocable power and authority in the name and on behalf of Participant to take any action and execute all documents and instruments, including, without limitation, stock powers which may be necessary to transfer the certificate or certificates evidencing such unvested Shares of Restricted Stock to the Company upon such termination.

(d) The Escrow Holder will take all steps necessary to accomplish the transfer of Shares of Restricted Stock to Participant after they vest following Participant's request that the Escrow Holder do so.

(e) Subject to the terms hereof, Participant shall have all the rights of a stockholder with respect to such Shares while they are held in escrow, including without limitation, the right to vote the Shares and receive any cash dividends declared thereon (subject to subsection (f) below).

(f) In the event of any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares, the Shares of Restricted Stock will be increased, reduced or otherwise changed, and by virtue of any such change Participant will in his or her capacity as owner of unvested Shares of Restricted Stock be entitled to new or additional or different shares of stock, cash or securities (other than rights or warrants to purchase securities); such new or additional or different shares, cash or securities will thereupon be considered to be unvested Shares of Restricted Stock and will be subject to all of the conditions and restrictions which were applicable to the unvested Shares of Restricted Stock pursuant to this Award Agreement. If Participant receives rights or warrants with respect to any unvested Shares of Restricted Stock, such rights or warrants may be held or exercised by Participant, provided that until such exercise any such rights or warrants and after such exercise any shares or other securities acquired by the exercise of such rights or warrants will be considered to be unvested Shares of Restricted Stock and will be subject to all of the conditions and restrictions which were applicable to the unvested Shares of Restricted Stock pursuant to this Award Agreement. The Administrator in its absolute discretion at any time may accelerate the vesting of all or any portion of such new or additional shares of stock, cash or securities, rights or warrants to purchase securities or shares or other securities acquired by the exercise of such rights or warrants.

(g) The Company may instruct the transfer agent for its Common Stock to place a legend on the certificates representing the Restricted Stock or otherwise note its records as to the restrictions on transfer set forth in this Award Agreement.

15. Address for Notices. Any notice to be given to the Company under the terms of this Award Agreement will be addressed to the Company at Dropbox, Inc., 333 Brannan Street, San Francisco, CA 94107, or at such other address as the Company may hereafter designate in writing.

16. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to the Shares of Restricted Stock awarded under the Plan or future Shares of Restricted Stock that may be awarded under the Plan by electronic means or request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through any on-line or electronic system established and maintained by the Company or a third party designated by the Company.

17. No Waiver. Either party's failure to enforce any provision or provisions of this Award Agreement shall not in any way be construed as a waiver of any such provision or provisions, nor prevent that party from thereafter enforcing each and every other provision of this Award Agreement. The rights granted both parties herein are cumulative and shall not constitute a waiver of either party's right to assert all other legal remedies available to it under the circumstances.

18. Successors and Assigns. The Company may assign any of its rights under this Award Agreement to single or multiple assignees, and this Award Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Award Agreement shall be binding upon Participant and his or her heirs, executors, administrators, successors and assigns. The rights and obligations of Participant under this Award Agreement may be assigned only with the prior written consent of the Company.

19. Additional Conditions to Issuance of Stock. If at any time the Company will determine, in its discretion, that the listing, registration, qualification or rule compliance of the Shares upon any securities exchange or under any state, federal or non-U.S. law, the tax code and related regulations or under the rulings or regulations of the United States Securities and Exchange Commission or any other governmental regulatory body or the clearance, consent or approval of the United States Securities and Exchange Commission or any other governmental regulatory authority is necessary or desirable as a condition to the issuance of Shares to Participant (or his or her estate) or the Escrow Holder hereunder, such issuance will not occur unless and until such listing, registration, qualification, rule compliance, clearance, consent or approval will have been completed, effected or obtained free of any conditions not acceptable to the Company. Subject to the terms of the Award Agreement and the Plan, the Company shall not be required to issue any certificate or certificates for (or make any entry on the books of the Company or of a duly authorized transfer agent of the Company of) Shares hereunder prior to the lapse of such reasonable period of time following the Date of Grant of the Shares of Restricted Stock as the Administrator may establish from time to time for reasons of administrative convenience.

20. Language. If Participant has received this Award Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

21. Interpretation. The Administrator will have the power to interpret the Plan and this Award Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Shares of Restricted Stock have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company and all other interested persons. Neither the Administrator nor any person acting on behalf of the Administrator will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Award Agreement.

22. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Award Agreement.

23. Amendment, Suspension or Termination of the Plan. By accepting this Award, Participant expressly warrants that he or she has received an Award of Restricted Stock under the Plan, and has received, read and understood a description of the Plan. Participant understands that the Plan is discretionary in nature and may be amended, suspended or terminated by the Administrator at any time.

24. Modifications to the Award Agreement. This Award Agreement constitutes the entire understanding of the parties on the subjects covered. Participant expressly warrants that he or she is not accepting this Award Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Award Agreement or the Plan can be made only in an express written contract executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Award Agreement, the Company reserves the right to revise this Award Agreement as it deems necessary or advisable, in its sole discretion and without the consent of Participant, to comply with Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Section 409A in connection with this Award of Shares of Restricted Stock.

25. Governing Law; Venue; Severability. This Award Agreement and the Shares of Restricted Stock are governed by the internal substantive laws, but not the choice of law rules, of California. For purposes of litigating any dispute that arises under this Restricted Stock Award or this Award Agreement, the parties hereby submit to and consent to the jurisdiction of the State of California, and agree that such litigation will be conducted in the courts of San Francisco County, California, or the United States federal courts for the Northern District of California, and no other courts, where this Award Agreement is made and/or to be performed. In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Award Agreement shall continue in full force and effect.

26. Entire Agreement. The Plan is incorporated herein by this reference. The Plan and this Award Agreement (including the appendices and exhibits referenced herein) constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof, and may not be modified adversely to the Participant's interest except by means of a writing signed by the Company and Participant.

27. Country Addendum. Notwithstanding any provisions in this Award Agreement, the Restricted Stock grant shall be subject to any special terms and conditions set forth in an appendix (if any) to this Award Agreement for any country whose laws are applicable to Participant and this Award of Restricted Stock (as determined by the Administrator in its sole discretion) (the "Country Addendum"). Moreover, if Participant relocates to one of the countries included in the Country Addendum (if any), the special terms and conditions for such country will apply to Participant, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Country Addendum constitutes part of this Award Agreement.

* * *

DROPBOX, INC.
2018 EQUITY INCENTIVE PLAN
RESTRICTED STOCK AWARD AGREEMENT
COUNTRY ADDENDUM

Terms and Conditions

This Country Addendum includes additional terms and conditions that govern the Award of Restricted Stock granted pursuant to the terms and conditions of the Dropbox, Inc. 2018 Equity Incentive Plan (the “Plan”) and the Restricted Stock Award Agreement to which this Country Addendum is attached (the “Restricted Stock Award Agreement”) to the extent the individual to whom the Shares of Restricted Stock were granted (“Participant”) resides in one of the countries listed below.

Notifications

This Country Addendum also includes information regarding exchange controls and certain other issues of which Participant should be aware with respect to his or her participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of [______], 2020. Such laws often are complex and change frequently. As a result, the Company strongly recommends that Participant not rely on the information in this Country Addendum as the only source of information relating to the consequences of Participant’s participation in the Plan because the information may be out of date at the time Participant vest in or receives or sells the Shares covered by the Shares of Restricted Stock.

In addition, the information contained herein is general in nature and may not apply to Participant’s particular situation and the Company is not in a position to assure Participant of any particular result. Accordingly, Participant is advised to seek appropriate professional advice as to how the relevant laws of Participant’s country may apply to his or her situation.

Finally, if Participant is a citizen or resident of a country other than the one in which Participant currently is working or transfers to another country after the grant of the Shares of Restricted Stock, or is considered a resident of another country for local law purposes, the information contained herein may not be applicable to Participant in the same manner. In addition, the Company, in its discretion, shall determine the extent to which the terms and conditions contained herein shall apply to Participant under these circumstances.

[JURISDICTION-SPECIFIC COUNTRY ADDENDA TO BE INSERTED IF/AS APPROPRIATE]

Exhibit 10.15

January 8, 2020 – *revised January 14 and January 16, 2020*

Olivia Nottebohm

<u>Offer of Employment by Dropbox, Inc.</u>

Dear Olivia:

On behalf of Dropbox, Inc. (“Dropbox”), we are pleased to offer you full-time employment at our San Francisco, CA, USA location commencing on January 28, 2020, unless otherwise agreed to by you and Dropbox.[1] You will have the position of Chief Operating Officer, and will directly report to the CEO. The terms of this Agreement are as follows:

1. <u>Compensation.</u>

Salary. Your starting annualized salary will be $500,000.00 per year, paid in accordance with Dropbox’s normal payroll procedures.

Bonus. You will be eligible to receive an annual bonus of 100% of your base salary, contingent upon Dropbox’s annual performance and your annual performance rating. No bonus will be earned or received unless you're still employed on the payment date. If you have been employed by Dropbox for less than a year, any bonus earned will be prorated. If you start on or after November 1 of your starting year, you will not be eligible for the bonus for that year but will be eligible in future years, subject to the bonus policy. Any annual bonus earned will be paid on or before March 15 of the calendar year immediately following the year to which the bonus relates.

Equity. We will recommend to the Dropbox Board of Directors (or its delegate) that you be awarded restricted stock (RSAs) with an approximate current value of $16,000,000.00 under Dropbox’s equity incentive plan, with the number of shares granted to be determined by the average closing price of Dropbox common stock for the prior month (the “Grant”). This award is further subject to the aforementioned approval and the promise to recommend the approval does not create an obligation for Dropbox to issue any equity to you. Further details on the equity plan and any specific award will be provided upon the aforementioned approval of the award. If approved, the award will be scheduled to lapse in accordance with the following schedule: Twenty- five percent (25%) of the shares of RSAs will vest on the one (1)-year anniversary of the vesting commencement date, and one sixteenth (1/16th) of the shares of RSAs will vest on each quarterly vesting date thereafter, subject to your continuing to be a “service provider” through each such date, as that term is defined in the 2018 Equity Incentive Plan (“Plan”), and any acceleration provisions in the Plan or Severance Agreement (defined below). Any award agreement applicable to the Grant will be consistent in all respects with the terms herein.

[1] Nothing in this Agreement, including Section 9, requires that a change to your start date be in a writing signed by both parties. An electronic agreement to your new start date by both parties will be sufficient.

2. Benefits. You and your family members will be eligible to participate in Dropbox’s standard employee benefits plans as they are provided to San Francisco, CA, USA employees to the extent that you meet their eligibility criteria. This Section 2 does not create any obligation on the part of Dropbox to adopt or maintain any employee benefit plan or program at any time. Dropbox may amend or terminate, any employee benefit plan or program at any time.

3. Confidentiality. As an employee of Dropbox, you will have access to certain confidential information of Dropbox and you may, during the course of your employment, develop certain information or inventions that will be Dropbox property. To protect Dropbox’s interests, you will need to sign Dropbox's standard “Employee Invention Assignment and Confidentiality Agreement” (“EIACA”) as a condition of your employment. We do not want you to, and we direct you not to, bring with you any confidential or proprietary material of any former employer or other party or to violate any other obligations you may have to any former employer or other party. You represent that your signing of this offer letter, agreement(s) concerning equity incentives granted to you, if any, and Dropbox’s EIACA and your commencement of employment with Dropbox will not violate or conflict with the terms of any agreement currently in place between you and current or past employers or other parties.

4. Duty Not to Compete; Indemnification. During the period that you render services to Dropbox, you agree to not engage in any employment, business or activity that is in any way competitive with the business or proposed business of Dropbox. You will disclose to Dropbox in writing any other employment, business or activity that you are currently associated with or participate in that competes or may compete with Dropbox. During the period that you render services to Dropbox, you will not assist any other person or organization in competing with Dropbox or in preparing to engage in competition with the business or proposed business of Dropbox. Dropbox will enter into with you its standard form of indemnification agreement for senior officers which shall remain in effect at all times during employment and for so long thereafter as you may reasonably be subject to any claim arising from your services to Dropbox or any affiliates.

5. At-Will Employment. If you decide to accept our offer, and we hope that you will, you will be an at-will employee of Dropbox, which means the employment relationship can be terminated by either you or Dropbox for any reason, at any time, with or without prior notice or cause. Any statements or representations to the contrary (and, indeed, any statements contradicting any provision in this letter) should be regarded by you as ineffective. Further, your participation in any equity or benefit program should not be regarded as assuring you of continuing employment for any period of time. Any modification or change in your at-will employment status may only occur by a written employment agreement signed by you and Dropbox’s Chief Executive Officer or his delegate. Dropbox reserves the right to modify the terms of your employment, as well as any of the terms set forth in this letter or in any other policy, letter or agreement.

6. Severance. You will be eligible to enter into a Change in Control and Severance Agreement (the “Severance Agreement”) applicable to you based on your position within Dropbox. The Severance Agreement will specify the severance payments and benefits you would

be eligible to receive in connection with certain terminate ons of your employment with Dropbox. These protections will supersede all other severance payments and benefits you would otherwise currently be eligible for, or would become eligible for in the future, under any plan, program or policy that Dropbox may have in effect from time to time. Any waiver or release (“Release”) required as a condition for receiving benefits under the Severance Agreement will not waive any of your rights, or obligations of Dropbox, regarding: (1) any right to indemnification and/or contribution, advancement or payment of related expenses that you may have pursuant to Dropbox’s Bylaws, Articles of Incorporation or other organizing documents, under any written indemnification or other agreement between the parties, and/or under applicable law; (2) any rights that you may have to insurance coverage under any directors and officers liability insurance, other insurance policies of Dropbox or any affiliates, COBRA or any similar state law; (3) any claims for worker’s compensation, state disability or unemployment insurance benefits, or any other claims that cannot be released as a matter of applicable law; (4) rights to any vested benefits under any stock, compensation, severance or other employee benefit plan or agreement with Dropbox;
(5) any rights as an existing shareholder of Dropbox; and (6) any claims arising after the date you sign the Release.

7. Authorization to Work. Within three business days after starting your new position you will need to present documentation demonstrating that you have authorization to work in the United States. This offer of employment will be void if you fail to timely provide such authorization. If you have questions about this requirement, which applies to U.S. citizens and non-U.S. citizens alike, you may contact your recruiter.

8. Arbitration (Not applicable to Sexual Harassment or Discrimination Claims). Except as explained in this paragraph, you and Dropbox shall submit to mandatory and exclusive binding arbitration of any and all controversies or claims arising from, or relating to, your employment with Dropbox and/or the termination of your employment that are based upon any federal, state or local ordinance, statute, regulation or constitutional provision. The sole exceptions are claims for workplace sexual harassment and/or discrimination; claims under applicable workers’ compensation law; unemployment insurance claims; actions seeking provisional remedies pursuant to California Code of Civil Procedure Section 1281.8 or equivalent laws in other jurisdictions; and/or claims expressly prohibited by law from being subject to binding arbitration (the “Excluded Claims”). While you’re not required to arbitrate any of the Excluded Claims, you may choose to do so if you’d like once a dispute arises.

It’s entirely up to you. Also, you agree to submit any of the Excluded Claims to pre-suit mediation before filing any civil action alleging such claim(s). This way, the parties will have an early opportunity to try and reach an amicable resolution of their dispute. The mediation will be with a mutually selected neutral mediator from JAMS and Dropbox will pay all reasonable mediation fees. If either Dropbox or you brings both arbitrable and non-arbitrable claims in the same or related action, both agree that the non-arbitrable claims shall be stayed until the conclusion of arbitration, to the extent allowed by law.

THE PARTIES HEREBY WAIVE ANY RIGHTS THEY MAY HAVE TO TRIAL BY JURY IN REGARD TO CLAIMS SUBJECT TO ARBITRATION UNDER THIS AGREEMENT. You and Dropbox agree that the arbitrator shall have the sole authority to determine the arbitrability of all claims. You also agree that any arbitrable claims shall be resolved on an individual basis, and you agree to waive your right, to the extent allowed by applicable law, to consolidate any arbitrable claims with the claims of any other person in a class or collective action. This Agreement does not restrict your right to file administrative claims you may bring before any government agency where, as a matter of law, the parties may not restrict your ability to file such claims (including, but not limited to, the National Labor Relations Board, the Equal Employment Opportunity Commission, and the Department of Labor). However the parties agree that, to the fullest extent permitted by law and consistent with this Agreement, arbitration shall be the exclusive remedy for the subject matter of such administrative claims. Such arbitration shall be governed by the Federal Arbitration Act and conducted through JAMS in San Francisco, California, before a single neutral arbitrator, in accordance with the employment arbitration rules in effect at that time. The JAMS Employment Arbitration Rules may be found and reviewed at https://www.jamsadr.com/rules-employment-arbitration/. If you are unable to access these rules, please let your Recruiter know and they will provide you a hardcopy. The arbitrator shall issue a written decision that contains the essential findings and conclusions on which the decision is based. You shall bear only those costs of arbitration you would otherwise bear had you brought a claim covered by this Agreement in court. Judgment upon the determination or award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

9. Background Check. This offer and your employment are contingent upon satisfactory verification of criminal, education, and employment background. You will not be able to begin your employment until the verification has been completed, and this offer may be rescinded based upon information obtained from your background check, consistent with the applicable law.

10. Confidentiality**.** Until such time as Dropbox discloses the contents of this offer in a filing with the Securities and Exchange Commission, neither party shall disclose the contents of this offer without first obtaining the prior written consent of the other party (except for the above- referenced filing by Dropbox), provided, however, that you may disclose this offer to your spouse, attorney, financial planner or tax advisor if you require such person(s) to keep the terms hereof confidential, or otherwise as required by law.

11. Protected Activity Not Prohibited. Nothing in this offer or in any other agreement between you or Dropbox, as applicable, will in any way limit or prohibit you from engaging for a lawful purpose in any Protected Activity. For purposes of this offer, “Protected Activity” means filing a charge or complaint, or otherwise communicating, cooperating, or participating with, any state, federal, or other governmental agency, including but not limited to the U.S. Securities and Exchange Commission, the Equal Employment Opportunity Commission, and the National Labor Relations Board. Notwithstanding any restrictions set forth in this offer or in any other agreement between you and Dropbox, as applicable, you understand that you are not required to obtain authorization from Dropbox prior to disclosing information to, or communicating with, such

agencies, nor are you obligated to advise Dropbox as to any such disclosures or communications. In making any such disclosures or communications, you agree to take all reasonable precautions to prevent any unauthorized use or disclosure of any information that may constitute Confidential Information (within the meaning of the EIACA) to any parties other than the relevant government agencies. You further understand that “Protected Activity” does not include the disclosure of any Dropbox attorney-client privileged communications, and that any such disclosure without Dropbox’s written consent will constitute a material breach of this offer agreement.

12. Complete Agreement. This Agreement, the EIACA, the Severance Agreement, and the 2018 Equity Incentive Plan constitute the entire agreement relating to your employment and supersedes all prior offers, written or oral, with respect to your employment by Dropbox. Except as otherwise stated above, this Agreement may only be modified by an agreement in writing signed by both parties.

13. Governing Law. This Agreement, except to the extent governed by the Federal Arbitration Act, will be governed by the laws of the State of California without regard to California’s conflicts of law rules that may result in the application of the laws of any jurisdiction other than California. To the extent that any lawsuit is permitted under this Agreement, the parties hereby expressly consent to the personal and exclusive jurisdiction and venue of the state and federal courts located in California for any such lawsuit.

14. Acceptance. This offer will remain open until January 27, 2020 and is contingent upon you beginning continuous full-time employment by the commencement date above. Your signature will acknowledge that you have read and understood and agree to the terms of this offer and any attachments.

We look forward to welcoming you to Dropbox.

Very truly yours,

/s/ Drew Houston

Drew Houston
Chief Executive Officer

I have read and understood this offer letter and hereby acknowledge, accept and agree to the terms as set forth above and further acknowledge that no other commitments were made to me as part of my employment offer except as specifically set forth herein.

/s/ Olivia Nottebohm	1/25/2020
Olivia Nottebohm	Date Signed

Dropbox, Inc. 333 Brannan St.
San Francisco, CA 94107

September 28, 2019

Dear Bharat:

Offer of Employment by Dropbox, Inc.

On behalf of Dropbox, Inc. (“Dropbox”), we are pleased to offer you full-time employment at our San Francisco, CA, USA location commencing on October 22, 2019. You will initially have the position of SVP and CTO, and will initially report to the CEO. The terms of this offer are as follows:

1. Compensation.

Salary. Your starting annualized salary will be $500,000.00 per year, paid in accordance with Dropbox’s normal payroll procedures.

Bonus. You will be eligible to receive an annual bonus of 100% of your base salary, contingent upon Dropbox’s annual performance and your annual performance rating. No bonus will be earned or received unless you're still employed on the payment date. If you have been employed by Dropbox for less than a year, any bonus earned will be prorated. If you start on or after November 1 of your starting year, you will not be eligible for the bonus for that year but will be eligible in future years, subject to the bonus policy.

Equity. We will recommend to the Dropbox Board of Directors (or its delegate) that you be awarded a total of 1,053,108 shares of restricted stock (RSAs) under Dropbox's equity incentive plan. This award is further subject to the aforementioned approval and the promise to recommend the approval does not create an obligation for Dropbox to issue any equity to you. Further details on the equity plan and any specific award will be provided upon the aforementioned approval of the award.

2. Benefits. You and your family will be eligible to participate in Dropbox’s standard employee benefits plans as they are provided to San Francisco, CA, USA employees to the extent that you meet their eligibility criteria. Dropbox reserves the right to modify the terms of your employment, as well as any of the terms set forth in this letter or in any other policy, letter or agreement, at any time in the future.

3. **<u>Proprietary Information.</u>** As an employee of Dropbox, you will have access to certain confidential information of Dropbox and you may, during the course of your employment, develop certain information or inventions that will be Dropbox property. To protect Dropbox's interests, you will need to sign Dropbox's standard "Employee Invention Assignment and Confidentiality Agreement" ("EIACA") as a condition of your employment. We do not want you to, and we direct you not to, bring with you any confidential or proprietary material of any former employer or other party or to violate any other obligations you may have to any former employer or other party. You represent that your signing of this offer letter, agreement(s) concerning equity incentives granted to you, if any, and Dropbox's EIACA and your commencement of employment with Dropbox will not violate any agreement currently in place between you and current or past employers or other parties.

4. **<u>Duty Not to Compete.</u>** During the period that you render services to Dropbox, you agree to not engage in any employment, business or activity that is in any way competitive with the business or proposed business of Dropbox. You will disclose to Dropbox in writing any other employment, business or activity that you are currently associated with or participate in that competes with Dropbox. During the period that you render services to Dropbox, you will not assist any other person or organization in competing with Dropbox or in preparing to engage in competition with the business or proposed business of Dropbox.

5. **<u>At-Will Employment.</u>** If you decide to accept our offer, and we hope that you will, you will be an at-will employee of Dropbox, which means the employment relationship can be terminated by either you or Dropbox for any reason, at any time, with or without prior notice or cause. Any statements or representations to the contrary (and, indeed, any statements contradicting any provision in this letter) should be regarded by you as ineffective. Further, your participation in any equity or benefit program should not be regarded as assuring you of continuing employment for any period of time. Any modification or change in your at-will employment status may only occur by a written employment agreement signed by you and Dropbox’s Chief Executive Officer.

6. **<u>Severance.</u>** You will be eligible to enter into a Change in Control and Severance Agreement (the “Severance Agreement”) applicable to you based on your position within Dropbox. The Severance Agreement will specify the severance payments and benefits you would be eligible to receive in connection with certain terminations of your employment with Dropbox. These protections will supersede all other severance payments and benefits you would otherwise currently be eligible for, or would become eligible for in the future, under any plan, program or policy that Dropbox may have in effect from time to time.

7. **<u>Authorization to Work.</u>** Within three business days of starting your new position you will need to present documentation demonstrating that you have authorization to work in the United States. If you have questions about this requirement, which applies to U.S. citizens and non-U.S. citizens alike, you may contact your supervisor.

<u>Arbitration (Not applicable to Sexual Harassment or Discrimination Claims)</u>. Except as explained in this paragraph, you and Dropbox shall submit to mandatory and exclusive binding arbitration any and all controversies or claims arising from, or relating to, your employment with Dropbox and/or the termination of your employment that are based upon any federal, state or local ordinance, statute, regulation or constitutional provision. The sole exceptions are claims for workplace sexual harassment and/or discrimination; claims under applicable workers’ compensation law; unemployment insurance claims; actions seeking provisional remedies pursuant to California Code of Civil Procedure Section 1281.8 or equivalent laws in other jurisdictions; and/or claims expressly prohibited by law from being subject to binding arbitration (the “**Excluded Claims**”). While you’re not required to arbitrate any of the Excluded Claims, you may choose to do so if you’d like once a dispute arises. It’s entirely up to you. Also, you agree to submit any of the Excluded Claims to pre-suit mediation before filing any civil action alleging such claim(s). This way the parties have an early opportunity to try and reach an amicable resolution of their dispute. The mediation will be with a mutually selected neutral mediator from JAMS and Dropbox will pay all reasonable mediation fees. If either Dropbox or you brings both arbitrable and non-arbitrable claims in the same or related action, both agree that the non-arbitrable claims shall be stayed until the conclusion of arbitration, to the extent allowed by law.

THE PARTIES HEREBY WAIVE ANY RIGHTS THEY MAY HAVE TO TRIAL BY JURY IN REGARD TO CLAIMS SUBJECT TO ARBITRATION UNDER THIS AGREEMENT. You and Dropbox agree that the arbitrator shall have the sole authority to determine the arbitrability of all claims. You also agree that any arbitrable claims shall be resolved on an individual basis, and you agree to waive your right, to the extent allowed by applicable law, to consolidate any arbitrable claims with the claims of any other person in a class or collective action. This Agreement does not restrict your right to file administrative claims you may bring before any government agency where, as a matter of law, the parties may not restrict the employee's ability to file such claims (including, but not limited to, the National Labor Relations Board, the Equal Employment Opportunity Commission, and the Department of Labor). However the parties agree that, to the fullest extent permitted by law and consistent with this agreement, arbitration shall be the exclusive remedy for the subject matter of such administrative claims. Such arbitration shall be governed by the Federal Arbitration Act and conducted through JAMS in San Francisco, California, before a single neutral arbitrator, in accordance with the employment arbitration rules in effect at that time. The JAMS Employment Arbitration Rules may be found and reviewed at https://www.jamsadr.com/rules-employment-arbitration/. If you are unable to access these rules, please let me know and I will provide you a hardcopy. The arbitrator shall issue a written decision that contains the essential findings and conclusions on which the decision is based. You shall bear only those costs of arbitration you would otherwise bear had you brought a claim covered by this Agreement in court. Judgment upon the determination or award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

8. **Background Check.** This offer is contingent upon satisfactory verification of criminal, education, and employment background. This offer can be rescinded based upon information received through this verification.

9. **Confidentiality.** Until such time as Dropbox discloses the contents of this offer in a filing with the Securities and Exchange Commission, neither party shall disclose the contents of this offer without first obtaining the prior written consent of the other party (except for the above- referenced filing by Dropbox), provided, however, that you may disclose this offer to your spouse, attorney, financial planner or tax advisor if you require such person(s) to keep the terms hereof confidential, or otherwise as required by law.

10. **Protected Activity Not Prohibited.** Nothing in this offer or in any other agreement between you or Dropbox, as applicable, will in any way limit or prohibit you from engaging for a lawful purpose in any Protected Activity. For purposes of this offer, "Protected Activity" means filing a charge or complaint, or otherwise communicating, cooperating, or participating with, any state, federal, or other governmental agency, including but not limited to the U.S. Securities and Exchange Commission, the Equal Employment Opportunity Commission, and the National Labor Relations Board. Notwithstanding any restrictions set forth in this offer or in any other agreement between you and Dropbox, as applicable, you understand that you are not required to obtain authorization from Dropbox prior to disclosing information to, or communicating with, such agencies, nor are you obligated to advise Dropbox as to any such disclosures or communications. In making any such disclosures or communications, you agree to

take all reasonable precautions to prevent any unauthorized use or disclosure of any information that may constitute Confidential Information (within the meaning of the EIACA) to any parties other than the relevant government agencies. You further understand that “Protected Activity” does not include the disclosure of any Dropbox attorney-client privileged communications, and that any such disclosure without Dropbox’s written consent will constitute a material breach of this offer agreement.

11. **Complete Agreement.** This offer letter and the EIACA constitute the entire agreement relating to your employment and supersedes all prior offers, written or oral, with respect to your employment by Dropbox. This agreement may only be modified by an agreement in writing signed by both parties.

12. **Acceptance.** This offer will remain open until September 30, 2019 and is contingent upon you beginning continuous full-time employment by the commencement date above. This offer, except to the extent governed by the Federal Arbitration Act, will be governed by San Francisco, CA, USA law. Your signature will acknowledge that you have read and understood and agree to the terms of this offer and any attachments.

We look forward to welcoming you to Dropbox.

Very truly yours,

/s/ Drew Houston
Drew Houston
Chief Executive Officer

I have read and understood this offer letter and hereby acknowledge, accept and agree to the terms as set forth above and further acknowledge that no other commitments were made to me as part of my employment offer except as specifically set forth herein.

/s/ Bharat Mediratta	9/30/2019
Bharat Mediratta	Date Signed

Exhibit 10.17

Dropbox, Inc. 333 Brannan St.

San Francisco, CA 94107

September 27, 2019

Timothy Young

Dear Timothy:

Offer of Employment by Dropbox, Inc.

On behalf of Dropbox, Inc. (“Dropbox”), we are pleased to offer you full-time employment at our San Francisco, CA, USA location commencing on October 22, 2019. You will initially have the position of SVP and GM, Core Dropbox, and will initially report to the CEO. The terms of this offer are as follows:

1. Compensation.

Salary. Your starting annualized salary will be $500,000.00 per year, paid in accordance with Dropbox’s normal payroll procedures.

Bonus. You will be eligible to receive an annual bonus of 100% of your base salary, contingent upon Dropbox’s annual performance and your annual performance rating. No bonus will be earned or received unless you're still employed on the payment date. If you have been employed by Dropbox for less than a year, any bonus earned will be prorated. If you start on or after November 1 of your starting year, you will not be eligible for the bonus for that year but will be eligible in future years, subject to the bonus policy.

Equity. We will recommend to the Dropbox Board of Directors (or its delegate) that you be awarded a total of 1,053,108 shares of restricted stock (RSAs) under Dropbox's equity incentive plan. This award is further subject to the aforementioned approval and the promise to recommend the approval does not create an obligation for Dropbox to issue any equity to you. Further details on the equity plan and any specific award will be provided upon the aforementioned approval of the award.

2. **Benefits.** You and your family will be eligible to participate in Dropbox's standard employee benefits plans as they are provided to San Francisco, CA, USA employees to the extent that you meet their eligibility criteria. Dropbox reserves the right to modify the terms of your employment, as well as any of the terms set forth in this letter or in any other policy, letter or agreement, at any time in the future.

3. **Proprietary Information.** As an employee of Dropbox, you will have access to certain confidential information of Dropbox and you may, during the course of your employment, develop certain information or inventions that will be Dropbox property. To protect Dropbox's interests, you will need to sign Dropbox's standard "Employee Invention Assignment and Confidentiality Agreement" ("EIACA") as a condition of your employment. We do not want you to, and we direct you not to, bring with you any confidential or proprietary material of any former employer or other party or to violate any other obligations you may have to any former employer

or other party. You represent that your signing of this offer letter, agreement(s) concerning equity incentives granted to you, if any, and Dropbox's EIACA and your commencement of employment with Dropbox will not violate any agreement currently in place between you and current or past employers or other parties.

4. **Duty Not to Compete.** During the period that you render services to Dropbox, you agree to not engage in any employment, business or activity that is in any way competitive with the business or proposed business of Dropbox. You will disclose to Dropbox in writing any other employment, business or activity that you are currently associated with or participate in that competes with Dropbox. During the period that you render services to Dropbox, you will not assist any other person or organization in competing with Dropbox or in preparing to engage in competition with the business or proposed business of Dropbox.

5. **At-Will Employment.** If you decide to accept our offer, and we hope that you will, you will be an at-will employee of Dropbox, which means the employment relationship can be terminated by either you or Dropbox for any reason, at any time, with or without prior notice or cause. Any statements or representations to the contrary (and, indeed, any statements contradicting any provision in this letter) should be regarded by you as ineffective. Further, your participation in any equity or benefit program should not be regarded as assuring you of continuing employment for any period of time. Any modification or change in your at-will employment status may only occur by a written employment agreement signed by you and Dropbox's Chief Executive Officer.

6. **Severance.** You will be eligible to enter into a Change in Control and Severance Agreement (the "Severance Agreement") applicable to you based on your position within Dropbox. The Severance Agreement will specify the severance payments and benefits you would be eligible to receive in connection with certain terminations of your employment with Dropbox. These protections will supersede all other severance payments and benefits you would otherwise currently be eligible for, or would become eligible for in the future, under any plan, program or policy that Dropbox may have in effect from time to time.

7. **Authorization to Work.** Within three business days of starting your new position you will need to present documentation demonstrating that you have authorization to work in the United States. If you have questions about this requirement, which applies to U.S. citizens and non-U.S. citizens alike, you may contact your supervisor.

Arbitration (Not applicable to Sexual Harassment or Discrimination Claims). Except as explained in this paragraph, you and Dropbox shall submit to mandatory and exclusive binding arbitration any and all controversies or claims arising from, or relating to, your employment with Dropbox and/or the termination of your employment that are based upon any federal, state or local ordinance, statute, regulation or constitutional provision. The sole exceptions are claims for workplace sexual harassment and/or discrimination; claims under applicable workers' compensation law; unemployment insurance claims; actions seeking provisional remedies pursuant to California Code of Civil Procedure Section 1281.8 or equivalent laws in other jurisdictions; and/or claims expressly prohibited by law from being subject to binding arbitration (the "**Excluded Claims**"). While you're not required to arbitrate any of the Excluded Claims, you may choose to do so if you'd like once a dispute arises. It's entirely up to you. Also, you agree to submit any of the Excluded Claims to pre-suit mediation before filing any civil action alleging such claim(s). This way the parties have an early opportunity to try and reach an amicable

resolution of their dispute. The mediation will be with a mutually selected neutral mediator from JAMS and Dropbox will pay all reasonable mediation fees. If either Dropbox or you brings both arbitrable and non-arbitrable claims in the same or related action, both agree that the non-arbitrable claims shall be stayed until the conclusion of arbitration, to the extent allowed by law.

THE PARTIES HEREBY WAIVE ANY RIGHTS THEY MAY HAVE TO TRIAL BY JURY IN REGARD TO CLAIMS SUBJECT TO ARBITRATION UNDER THIS AGREEMENT. You and Dropbox agree that the arbitrator shall have the sole authority to determine the arbitrability of all claims. You also agree that any arbitrable claims shall be resolved on an individual basis, and you agree to waive your right, to the extent allowed by applicable law, to consolidate any arbitrable claims with the claims of any other person in a class or collective action. This Agreement does not restrict your right to file administrative claims you may bring before any government agency where, as a matter of law, the parties may not restrict the employee's ability to file such claims (including, but not limited to, the National Labor Relations Board, the Equal Employment Opportunity Commission, and the Department of Labor). However the parties agree that, to the fullest extent permitted by law and consistent with this agreement, arbitration shall be the exclusive remedy for the subject matter of such administrative claims. Such arbitration shall be governed by the Federal Arbitration Act and conducted through JAMS in San Francisco, California, before a single neutral arbitrator, in accordance with the employment arbitration rules in effect at that time. The JAMS Employment Arbitration Rules may be found and reviewed at https://www.jamsadr.com/rules-employment-arbitration/. If you are unable to access these rules, please let me know and I will provide you a hardcopy. The arbitrator shall issue a written decision that contains the essential findings and conclusions on which the decision is based. You shall bear only those costs of arbitration you would otherwise bear had you brought a claim covered by this Agreement in court. Judgment upon the determination or award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

8. **Background Check.** This offer is contingent upon satisfactory verification of criminal, education, and employment background. This offer can be rescinded based upon information received through this verification.

9. **Confidentiality.** Until such time as Dropbox discloses the contents of this offer in a filing with the Securities and Exchange Commission, neither party shall disclose the contents of this offer without first obtaining the prior written consent of the other party (except for the above- referenced filing by Dropbox), provided, however, that you may disclose this offer to your spouse, attorney, financial planner or tax advisor if you require such person(s) to keep the terms hereof confidential, or otherwise as required by law.

10. **Protected Activity Not Prohibited.** Nothing in this offer or in any other agreement between you or Dropbox, as applicable, will in any way limit or prohibit you from engaging for a lawful purpose in any Protected Activity. For purposes of this offer, "Protected Activity" means filing a charge or complaint, or otherwise communicating, cooperating, or participating with, any state, federal, or other governmental agency, including but not limited to the U.S. Securities and Exchange Commission, the Equal Employment Opportunity Commission, and the National Labor Relations Board. Notwithstanding any restrictions set forth in this offer or in any other agreement between you and Dropbox, as applicable, you understand that you are not required to obtain authorization from Dropbox prior to disclosing information to, or communicating with, such agencies, nor are you obligated to advise Dropbox as to any such disclosures or communications. In making any such disclosures or communications, you agree to

take all reasonable precautions to prevent any unauthorized use or disclosure of any information that may constitute Confidential Information (within the meaning of the EIACA) to any parties other than the relevant government agencies. You further understand that "Protected Activity" does not include the disclosure of any Dropbox attorney-client privileged communications, and that any such disclosure without Dropbox's written consent will constitute a material breach of this offer agreement.

11. **Complete Agreement.** This offer letter and the EIACA constitute the entire agreement relating to your employment and supersedes all prior offers, written or oral, with respect to your employment by Dropbox. This agreement may only be modified by an agreement in writing signed by both parties.

12. **Acceptance.** This offer will remain open until September 30, 2019 and is contingent upon you beginning continuous full-time employment by the commencement date above. This offer, except to the extent governed by the Federal Arbitration Act, will be governed by San Francisco, CA, USA law. Your signature will acknowledge that you have read and understood and agree to the terms of this offer and any attachments.

We look forward to welcoming you to Dropbox.

Very truly yours,

/s/ Drew Houston

Drew Houston

Chief Executive Officer

I have read and understood this offer letter and hereby acknowledge, accept and agree to the terms as set forth above and further acknowledge that no other commitments were made to me as part of my employment offer except as specifically set forth herein.

/s/ Timothy Young
Timothy Young

9/28/2019
Date Signed

Exhibit 10.22

DROPBOX, INC.

OUTSIDE DIRECTOR COMPENSATION POLICY

Adopted and approved by the Board of Directors on February 22, 2018; Effective as of March 22, 2018; Amended on December 6, 2018 and December 4, 2019 (the "**Effective Date**")

Dropbox, Inc. (the "**Company**") believes that providing cash and equity compensation to its members of the Board of Directors (the "**Board**," and members of the Board, the "**Directors**") represents an effective tool to attract, retain and reward Directors who are not employees of the Company (the "**Outside Directors**"). This Outside Director Compensation Policy (the "**Policy**") is intended to formalize the Company's policy regarding cash compensation and grants of equity to its Outside Directors. Unless otherwise defined herein, capitalized terms used in this Policy will have the meaning given to such terms in the Company's 2018 Equity Incentive Plan (the "**Plan**"), or if the Plan is no longer in place, the meaning given to such terms or any similar terms in the equity plan then in place. Each Outside Director will be solely responsible for any tax obligations incurred by such Outside Director as a result of the equity and cash payments such Outside Director receives under this Policy.

1. CASH COMPENSATION

Annual Cash Retainer

Each Outside Director will be paid an annual cash retainer of $50,000. There are no per-meeting attendance fees for attending Board meetings. This cash compensation will be paid quarterly in arrears on a prorated basis.

Committee Annual Cash Retainer

Effective as of the Effective Date, each Outside Director who serves as the chair of the Board, the lead Outside Director, or the chair or a member of a committee of the Board will be eligible to earn additional annual fees (paid quarterly in arrears on a prorated basis) as follows:

Lead Independent Director: $35,000

Chair of Audit Committee: $30,000

Member of Audit Committee: $12,500

Chair of Compensation Committee: $20,000

Member of Compensation Committee: $10,000

Chair of Nominating and Governance Committee: $15,000

Member of Nominating and Governance Committee: $5,000

For clarity, each Outside Director who serves as the chair of a committee will only receive the annual fee as the chair of the committee without the additional annual fee as a member of the committee.

2. EQUITY COMPENSATION

Outside Directors will be eligible to receive all types of Awards (except Incentive Stock Options) under the Plan (or the applicable equity plan in place at the time of grant), including discretionary Awards not covered under this Policy. All grants of Awards to Outside Directors pursuant to Section 2 of this Policy will be automatic and nondiscretionary, except as otherwise provided herein, and will be made in accordance with the following provisions:

(a) No Discretion. No person will have any discretion to select which Outside Directors will be granted any Awards under this Policy or to determine the number of Shares to be covered by such Awards.

(b) Initial Award. Subject to Section 4 of this Policy, each individual who first becomes an Outside Director following the Effective Date will be granted an award of restricted stock units (an "**Initial Award**") covering a number of Shares having a grant date fair value (determined in accordance with U.S. generally accepted accounting principles) (the "**Grant Value**") equal to (x) $250,000 multiplied by (y) the fraction obtained by dividing (A) the number of full months during the period beginning on the date the individual first becomes an Outside Director and ending on the one-year anniversary of the date of the then-most recent Annual Meeting (the "**Initial Award Vesting Period**") by (B) 12, rounded to the nearest whole Share. The Initial Award will be made on the first trading date on or after the date on which such individual first becomes an Outside Director, whether through election by the stockholders of the Company or appointment by the Board to fill a vacancy. If an individual was a member of the Board and also an employee, becoming an Outside Director due to termination of employment will not entitle the Outside Director to an Initial Award.

Subject to Section 3 of this Policy, each Initial Award will vest on the earlier of (i) the last day of the Initial Award Vesting Period or (ii) the day prior to the date of the Annual Meeting next following the date the Initial Award is granted, in each case, subject to the Outside Director continuing to be a Service Provider through the applicable vesting date.

(c) Annual Award. Subject to Section 4 of this Policy, on the date of each annual meeting of the Company's stockholders following the Effective Date (each, an "**Annual Meeting**"), each Outside Director will be automatically granted an award of restricted stock units (an "**Annual Award**") covering a number of Shares having a Grant Value of $250,000, rounded to the nearest whole Share.

Subject to Section 3 of this Policy, each Annual Award will vest on the earlier of (i) the one-year anniversary of the date the Annual Award is granted or (ii) the day prior to the date of the Annual Meeting next following the date the Annual Award is granted, in each case, subject to the Outside Director continuing to be a Service Provider through the applicable vesting date.

(d) Deferral of Awards. Unless and until otherwise determined by the Board or the Compensation Committee, as applicable, each Outside Director may elect to defer the delivery of the proceeds of any Initial Award or Annual Award that would otherwise be delivered to such Outside Director on or following the date such Award vests pursuant to the terms of Sections 2(b) and 2(c) above (the "**Deferral Election**"). Unless otherwise determined by the Board or the Compensation Committee, for any such Deferral Election to be effective, it must be submitted on or prior to the end of the calendar year prior to the date the Award will be granted (or, in the case of any individual who first becomes an Outside Director following the Effective Date, within 30 days after the individual first becomes an Outside Director) (in each case, the "**Deferral Election Deadline**"). Any Deferral Election will be irrevocable, and will be subject to such rules, conditions and procedures as shall be determined by the Board or the Compensation Committee, in its sole discretion, which rules, conditions and procedures shall at all times comply with the requirements of Section 409A of the Code, unless otherwise specifically determined by the Board or the Compensation Committee. Deferral Elections shall be made pursuant to a form of deferral election in substantially the form attached hereto as Exhibit A or such other form as approved by the Board or the Compensation Committee.

3. CHANGE IN CONTROL

In the event of a Change in Control, each Outside Director will fully vest in his or her outstanding Company equity awards, including any Initial Award or Annual Award, provided that the Outside Director continues to be an Outside Director through such date.

4. ANNUAL COMPENSATION LIMIT

No Outside Director may be paid, issued or granted, in any Fiscal Year, cash compensation and Awards with an aggregate value greater than $1,200,000 (with the value of each Award based on its Grant Value for purposes of the limitation under this Section 4). Any cash compensation paid or Awards granted to an individual for his or her services as an Employee, or for his or her services as a Consultant (other than as an Outside Director), will not count for purposes of the limitation under this Section 4.

5. TRAVEL EXPENSES

Each Outside Director's reasonable, customary and documented travel expenses to Board meetings will be reimbursed by the Company.

6. ADDITIONAL PROVISIONS

All provisions of the Plan not inconsistent with this Policy will apply to Awards granted to Outside Directors.

7. ADJUSTMENTS

In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares occurs, the Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under this Policy, will adjust the number of Shares issuable pursuant to Awards granted under this Policy.

8. SECTION 409A

In no event will cash compensation or expense reimbursement payments under this Policy be paid after the later of (i) 15th day of the 3rd month following the end of the Company's fiscal year in which the compensation is earned or expenses are incurred, as applicable, or (ii) 15th day of the 3rd month following the end of the calendar year in which the compensation is earned or expenses are incurred, as applicable, in compliance with the "short-term deferral" exception under Section 409A of the Internal Revenue Code of 1986, as amended, and the final regulations and guidance thereunder, as may be amended from time to time (together, "**Section 409A**"). It is the intent of this Policy that this Policy and all payments hereunder be exempt from or otherwise comply with the requirements of Section 409A so that none of the compensation to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities or ambiguous terms herein will be interpreted to be so exempt or comply. In no event will the Company reimburse an Outside Director for any taxes imposed or other costs incurred as a result of Section 409A.

9. STOCKHOLDER APPROVAL

This Policy was approved by the Company's stockholders on March 21, 2018

10. REVISIONS

The Board may amend, alter, suspend or terminate this Policy at any time and for any reason. No amendment, alteration, suspension or termination of this Policy will materially impair the rights of an Outside Director with respect to compensation that already has been paid or awarded, unless otherwise mutually agreed between the Outside Director and the Company. Termination of this Policy will not affect the Board's or the Compensation Committee's ability to exercise the powers granted to it under the Plan with respect to Awards granted under the Plan pursuant to this Policy prior to the date of such termination.

EXHIBIT A

DROPBOX, INC.

OUTSIDE DIRECTOR COMPENSATION POLICY

Restricted Stock Unit Deferral Election Form
For Outside Directors

Please complete and return this Restricted Stock Unit Deferral Election Form (the "**Election Form**"), as described below, [**for existing outside directors:** on or before December 31 of each year**] [for new outside directors only:** within 30 days following the date you join the Board**]** (the "**Submission Deadline**"), to Stock Administration, Dropbox, Inc. 1800 Owens St, Suite 200, San Francisco, CA 94158.

Neither the provision of this Election Form nor your completion of this Election Form represents a commitment by the Company to grant an Award to you. The grant of an Award remains subject to the terms of the Company's Outside Director Compensation Policy as may be hereinafter amended (the "**Policy**"). Terms not otherwise defined herein shall have the meaning set forth in the Policy.

I understand that my Election Form will become irrevocable effective as of the Submission Deadline.

I. PERSONAL INFORMATION

(Please print)

Participant Name: ____________ (the "**Participant**")

II. RSU DEFERRAL ELECTION

By signing below, I elect to defer in accordance with Article III below 100% of my Annual Award that may be granted to me, if any, under the Plan and pursuant to the Policy for services performed by me during the calendar year following the year in which I tender this election. If I do not make this deferral election, then my Annual Award will vest on the earlier of (i) the one-year anniversary of the date the Annual Award is granted or (ii) the day prior to the date of the Annual Meeting next following the date the Annual Award is granted, in each case, subject to my continuing to be a Service Provider through the applicable vesting date, and further subject to Section 3 of the Policy.

For new outside directors only:

By signing below, I elect to defer in accordance with Article III below 100% of my Initial Award that may be granted to me, if any, under the Plan and pursuant to the Policy. If I do not make this deferral election, then my Initial Award will vest on the earlier of (i) the one-year anniversary of the date of the then-most recent Annual Meeting or (ii) the day prior to the date of the Annual Meeting next following the date the Initial Award is granted, in each case, subject to my continuing to be a Service Provider through the applicable vesting date, and further subject to Section 3 of the Policy.

All Awards that are deferred pursuant to this Section II shall be referred to as "**Deferred Awards**" in this Election Form.

III. DEFERRED SETTLEMENT

By signing below, I elect to have my Deferred Awards settled as follows:

1. Subject to the following paragraph, my Deferred Awards will be settled in a single lump sum installment in whole shares on the earlier of (a) immediately prior to a Change in Control or (b) within 60 days following my Separation Date or my death, whichever is earlier. For these purposes, "**Separation Date**" means the date of my retirement or other separation from service with the Company and all of its Affiliates (as determined in accordance with Section 409A(2)(A)(i) of the Code and Treasury regulation section 1.409A-1(h)).

2. If a distribution hereunder is triggered because of my Separation Date and I am a "specified employee" within the meaning of Section 409A at the time of my Separation Date, then the distribution that I would otherwise be entitled to receive upon the Separation Date will not be settled until the date that is 6 months and 1 day following the Separation Date, unless I die following my Separation Date, in which case, my distribution will commence as soon as practicable following my death.

IV. PARTICIPANT ACKNOWLEDGEMENTS AND SIGNATURE

1. I agree to all of the terms and conditions of this Election Form.

2. I acknowledge that I have received and read a copy of the Plan's prospectus and that I am familiar with the terms and provisions of the Plan.

3. I agree to the right of the Administrator to amend or terminate this election at any time and for any reason, with or without notice; provided that such termination or amendment is performed in compliance with Section 409A (as determined by Company legal counsel in its sole and absolute discretion).

4. I understand that the obligation of the Company to settle any Deferred Awards is unfunded and that no assets of any kind have been segregated in a trust or otherwise set aside to satisfy any obligation under this Election Form. I also understand that any election to defer the settlement of any Awards pursuant to this Election Form will make me only a general, unsecured creditor of the Company.

5. I understand that any amounts deferred will be taxable as ordinary income in the year settled. Notwithstanding, I agree and understand that the Company does not guarantee in any way whatsoever the tax treatment of any deferrals or payments made under the Policy or this Election Form. I will be responsible for all taxes and any other costs owed with respect to any deferrals or payments made with respect to my Awards.

6. I understand that the Company will be under no obligation to settle any Deferred Awards until any income and employment tax withholding obligations are satisfied and that if I fail to satisfy any such tax withholding obligations I may forfeit my right to receive the shares subject to my Deferred Award. I understand that the Company has the right (but not the obligation) to withhold taxes from my Deferred Awards (including pursuant to net share withholding) in any amount and through such procedure as the Company deems necessary or desirable to satisfy any income or other tax obligations incurred with respect to my Awards.

7. I understand that, upon receipt of any Deferred Awards, in addition to federal taxes, I may owe taxes to the state where I resided at the time of vesting in the Award and/or to the state where I reside when the Deferred Awards are settled, if different.

8. I understand, acknowledge and agree that the Administrator has the discretion to make all determinations and decisions regarding any elections set forth on this Election Form.

9. I understand that this Election Form and the elections made hereunder are intended to comply with the requirements of Section 409A so that none of the Deferred Awards issuable will be subject to the tax acceleration and additional penalty taxes imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. If applicable, I understand that I am solely responsible for any accelerated income taxes and additional taxes and tax penalties imposed by Section 409A.

10. I also understand that this Election Form and the elections made hereunder will in all respects be subject to the terms and conditions of the Policy and the Plan, as applicable. Should any inconsistency exist between this Election Form, the Policy, the Plan, the Award Agreement under which an Award was granted, and/or any applicable law, then the provisions of either the applicable law (including, but not limited to, Section 409A) or the Plan will control, with the Plan subordinated to the applicable law and the Award Agreement and the Policy subordinated to this Election Form.

By signing this Election Form, I authorize the implementation of the above elections. I understand that my deferral election is irrevocable effective as of the Submission Deadline and may not be changed in the future, except in accordance with the requirements of Section 409A and the procedures specified by the Administrator.

Signed: __ Date: _______________, ______
PARTICIPANT

Agreed to and accepted:

DROPBOX, INC.

By:___ Date: _________________, ______

<u>IMPORTANT DEADLINE</u>: ***Please remember that if you wish to make any election set forth on this Election Form, then the properly completed Election Form must be signed by you and returned ON OR BEFORE THE SUBMISSION DEADLINE to Stock Administration, Dropbox, Inc., Inc., 1800 Owens St, Suite 200, San Francisco, CA 94158, or by e-mail to stock.administration@dropbox.com.***

Exhibit 21.1

Subsidiaries of Registrant

Name of Subsidiary	Jurisdiction of Incorporation
Dropbox Canada Limited	British Columbia
Dropbox Holding, LLC	Delaware
Orcinus Holdings, LLC	Delaware
CloudOn, Inc.	Delaware
CloudOn, Ltd.	Israel
Dropbox Australia Pty Ltd.	Australia
Dropbox France S.A.S	France
Dropbox Germany GmbH	Germany
Dropbox International Unlimited Company	Ireland
Dropbox Japan KK	Japan
Dropbox Mexico S. de R.L. de C.V	Mexico
Dropbox Netherlands B.V.	Netherlands
Dropbox Singapore Pte. Ltd.	Singapore
Dropbox Sweden AB	Sweden
Dropbox UK Online Ltd.	United Kingdom
Dropbox UK Online Ltd. Zweigniederlassung Hamburg	Germany
JN Projects, Inc. (d/b/a HelloSign)	Delaware
Valt Inc.	Delaware

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-223863) of Dropbox, Inc., pertaining to the 2008 Equity Incentive Plan of Dropbox, Inc., 2017 Equity Incentive Plan of Dropbox, Inc., 2018 Equity Incentive Plan of Dropbox, Inc., and 2018 Employee Stock Purchase Plan of Dropbox, Inc.,

(2) Registration Statement (Form S-8 No. 333-229842) of Dropbox, Inc., pertaining to the 2018 Equity Incentive Plan of Dropbox, Inc., and

(3) Registration Statement (Form S-8 No. 333-229924) of Dropbox, Inc., pertaining to the 2011 Equity Incentive Plan of JN Projects, Inc.;

of our reports dated February 21, 2020, with respect to the consolidated financial statements of Dropbox, Inc. and the effectiveness of internal control over financial reporting of Dropbox, Inc. included in this Annual Report (Form 10-K) of Dropbox, Inc. for the year ended December 31, 2019.

/s/ Ernst & Young LLP

San Francisco, California
February 21, 2020

Exhibit 31.1

CERTIFICATION OF PRINCIPAL 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

I, Andrew W. Houston, certify that:

1. I have reviewed this Quarterly Report on Form 10-K of Dropbox, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 21, 2020

DROPBOX, INC.

By:	/s/ Andrew W. Houston
Name:	Andrew W. Houston
Title:	Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

**CERTIFICATION OF PRINCIPAL 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**

I, Ajay V. Vashee, certify that:

1. I have reviewed this Quarterly Report on Form 10-K of Dropbox, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 21, 2020

DROPBOX, INC.

By:	/s/ Ajay V. Vashee
Name:	Ajay V. Vashee
Title:	Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION 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**

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Andrew W. Houston, Chief Executive Officer of Dropbox, Inc.. (the “Company”), and Ajay V. Vashee, Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company’s Annual Report on Form 10-K for the year ended December 31, 2019, to which this Certification is attached as Exhibit 32.1 (the “Periodic Report”), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 21, 2020

/s/ Andrew W. Houston

Andrew W. Houston
Chief Executive Officer
(Principal Executive Officer)

/s/ Ajay V. Vashee

Ajay V. Vashee
Chief Financial Officer
(Principal Financial Officer)