

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

FORM 10-Q

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

For the quarterly period ended July 31, 2024

OR

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

For the transition period from _____ to _____

Commission File Number 001-36805

Box, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

900 Jefferson Ave.
Redwood City, California 94063
(Address of principal executive offices and Zip Code)
(877) 729-4269
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$0.0001 par value per share	BOX	New York Stock Exchange

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 definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

As of July 31, 2024 the number of shares of the registrant's Class A common stock outstanding was 143,228,163.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- our future financial and operating results; including expectations regarding revenue, deferred revenue, billings, remaining performance obligations, gross margins, operating income, and net retention rate;
- our ability to maintain an adequate rate of revenue and billings growth and our expectations regarding such growth;
- our market opportunity, business plan and ability to effectively manage our growth;
- the effects of global economic conditions on our business and the impact of foreign exchange rates on our business;
- our ability to maintain profitability and expand or maintain positive cash flow;
- our ability to achieve our long-term and short-term gross and operating margin objectives;
- our ability to grow our remaining performance obligations;
- our expectations regarding our revenue mix;
- our ability to maintain, protect and enhance our brand and intellectual property;
- costs associated with defending intellectual property infringement and other claims and the frequency of such claims;
- our ability to attract and retain end-customers;
- our ability to further penetrate our existing customer base and expand their use of our services;
- our ability to displace existing products in established markets;
- our expectations regarding timing of new products, product bundles and features;
- our ability to expand our leadership position as a cloud content management platform;
- our ability to timely and effectively scale and adapt our new and existing technology;
- our ability to innovate new products and features and bring them to market in a timely manner and the expected benefits to customers and potential customers of our products;
- our investment strategy, including our plans to further invest in our business, including investment in research and development, sales and marketing, public cloud hosting and our professional services organization, and our ability to effectively manage such investments;
- our ability to expand internationally;
- expectations about competition and its effect in our market and our ability to compete;
- use of financial measures not calculated in accordance with accounting principles generally accepted in the United States;
- our belief regarding the sufficiency of our cash, cash equivalents and our credit facilities to meet our working capital and capital expenditure needs for at least the next 12 months;
- our expectations concerning relationships with third parties and our ability to realize the anticipated benefits therefrom;
- our ability to attract and retain qualified employees and key personnel;
- the effects of new laws, policies, taxes and regulations on our business;
- management’s plans, beliefs and objectives, including the importance of our brand and culture on our business;

- acquisitions of or investments in complementary companies, products, services or technologies and our ability to successfully integrate such companies or assets; and
- any potential repurchase of our Class A common stock.

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

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

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

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

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

	July 31, 2024	January 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 406,620	\$ 383,742
Short-term investments	75,605	96,948
Accounts receivable, net	177,487	281,487
Deferred commissions	43,516	45,817
Other current assets	30,431	34,186
Total current assets	733,659	842,180
Operating lease right-of-use assets, net	88,453	99,354
Goodwill	76,773	76,750
Deferred commissions, non-current	58,464	63,541
Deferred tax assets	73,411	75,665
Other long-term assets	89,978	83,673
Total assets	\$ 1,120,738	\$ 1,241,163
LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable, accrued expenses and other current liabilities	\$ 44,076	\$ 52,737
Accrued compensation and benefits	33,189	36,872
Operating lease liabilities	25,662	26,812
Deferred revenue	483,987	562,859
Total current liabilities	586,914	679,280
Debt, net, non-current	371,824	370,822
Operating lease liabilities, non-current	82,173	94,165
Other liabilities, non-current	26,081	35,863
Total liabilities	1,066,992	1,180,130
Commitments and contingencies (Note 5)		
Series A convertible preferred stock, par value of \$0.0001 per share; 500 shares authorized, issued and outstanding as of July 31 and January 31, 2024	493,145	492,095
Stockholders' deficit:		
Class A common stock, par value \$0.0001 per share; 1,000,000 shares authorized; 143,228 shares and 144,353 shares issued and outstanding as of July 31 and January 31, 2024, respectively	14	14
Additional paid-in capital	740,292	785,374
Accumulated other comprehensive loss	(10,659)	(9,686)
Accumulated deficit	(1,169,046)	(1,206,764)
Total stockholders' deficit	(439,399)	(431,062)
Total liabilities, convertible preferred stock and stockholders' deficit	\$ 1,120,738	\$ 1,241,163

See notes to condensed consolidated financial statements.

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

	Three Months Ended July 31,		Six Months Ended July 31,	
	2024	2023	2024	2023
Revenue	\$ 270,039	\$ 261,428	\$ 534,697	\$ 513,326
Cost of revenue	55,513	67,013	113,765	128,664
Gross profit	214,526	194,415	420,932	384,662
Operating expenses:				
Research and development	65,445	63,316	128,118	125,834
Sales and marketing	95,235	88,605	187,908	174,815
General and administrative	33,566	32,619	66,619	65,803
Total operating expenses	194,246	184,540	382,645	366,452
Income from operations	20,280	9,875	38,287	18,210
Interest and other income, net	4,699	3,293	8,557	5,611
Income before provision for income taxes	24,979	13,168	46,844	23,821
Provision for income taxes	4,483	2,377	9,126	4,680
Net income	\$ 20,496	\$ 10,791	\$ 37,718	\$ 19,141
Accretion and dividend on series A convertible preferred stock	(4,310)	(4,307)	(8,550)	(8,531)
Undistributed earnings attributable to preferred stockholders	(1,845)	(740)	(3,313)	(1,209)
Net income attributable to common stockholders	\$ 14,341	\$ 5,744	\$ 25,855	\$ 9,401
Net income per share attributable to common stockholders				
Basic	\$ 0.10	\$ 0.04	\$ 0.18	\$ 0.07
Diluted	\$ 0.10	\$ 0.04	\$ 0.18	\$ 0.06
Weighted-average shares used to compute net income per share attributable to common stockholders				
Basic	144,070	144,248	144,678	144,490
Diluted	146,525	150,007	147,634	150,218

See notes to condensed consolidated financial statements.

BOX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2024	2023	2024	2023
Net income	\$ 20,496	\$ 10,791	\$ 37,718	\$ 19,141
Other comprehensive income (loss):				
Net foreign currency translation gain (loss)	1,498	(501)	(264)	(290)
Other	(361)	(14)	(709)	(179)
Other comprehensive income (loss):	1,137	(515)	(973)	(469)
Comprehensive income	<u>\$ 21,633</u>	<u>\$ 10,276</u>	<u>\$ 36,745</u>	<u>\$ 18,672</u>

See notes to condensed consolidated financial statements.

BOX, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT
(In thousands)
(Unaudited)

	Three Months Ended July 31, 2024								
	Series A Convertible Preferred Stock		Class A Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit	
	Shares	Amount	Shares	Amount					
Balance as of April 30, 2024	500	\$ 492,585	145,588	\$ 15	\$ 803,449	\$ (11,796)	\$ (1,189,542)	\$ (397,874)	
Issuance of common stock under employee equity plans, net of shares withheld for employee payroll taxes	—	—	1,521	—	(10,674)	—	—	(10,674)	
Stock-based compensation related to stock awards	—	—	—	—	53,783	—	—	53,783	
Accretion and dividend on series A convertible preferred stock, net of dividends paid	—	560	—	—	(4,310)	—	—	(4,310)	
Repurchases of common stock	—	—	(3,881)	(1)	(101,956)	—	—	(101,957)	
Other comprehensive income	—	—	—	—	—	1,137	—	1,137	
Net income	—	—	—	—	—	—	20,496	20,496	
Balance as of July 31, 2024	500	\$ 493,145	143,228	\$ 14	\$ 740,292	\$ (10,659)	\$ (1,169,046)	\$ (439,399)	

	Three Months Ended July 31, 2023								
	Series A Convertible Preferred Stock		Class A Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit	
	Shares	Amount	Shares	Amount					
Balance as of April 30, 2023	500	\$ 490,464	144,828	\$ 14	\$ 822,366	\$ (7,019)	\$ (1,327,446)	\$ (512,085)	
Issuance of common stock under employee equity plans, net of shares withheld for employee payroll taxes	—	—	1,372	—	(21,416)	—	—	(21,416)	
Stock-based compensation related to stock awards	—	—	—	—	52,148	—	—	52,148	
Accretion and dividend on series A convertible preferred stock, net of dividends paid	—	557	—	—	(4,307)	—	—	(4,307)	
Repurchases of common stock	—	—	(2,155)	—	(61,580)	—	—	(61,580)	
Other comprehensive loss	—	—	—	—	—	(515)	—	(515)	
Net income	—	—	—	—	—	—	10,791	10,791	
Balance as of July 31, 2023	500	\$ 491,021	144,045	\$ 14	\$ 787,211	\$ (7,534)	\$ (1,316,655)	\$ (536,964)	

See notes to condensed consolidated financial statements.

BOX, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT
(In thousands)
(Unaudited)

	Six Months Ended July 31, 2024								
	Series A Convertible Preferred Stock		Class A Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit	
	Shares	Amount	Shares	Amount					
Balance as of January 31, 2024	500	\$ 492,095	144,353	\$ 14	\$ 785,374	\$ (9,686)	\$ (1,206,764)	\$ (431,062)	
Issuance of common stock under employee equity plans, net of shares withheld for employee payroll taxes	—	—	4,129	1	(6,753)	—	—	(6,752)	
Stock-based compensation related to stock awards	—	—	—	—	109,417	—	—	109,417	
Accretion and dividend on series A convertible preferred stock, net of dividends paid	—	1,050	—	—	(8,550)	—	—	(8,550)	
Repurchases of common stock	—	—	(5,254)	(1)	(139,196)	—	—	(139,197)	
Other comprehensive loss	—	—	—	—	—	(973)	—	(973)	
Net income	—	—	—	—	—	—	37,718	37,718	
Balance as of July 31, 2024	<u>500</u>	<u>\$ 493,145</u>	<u>143,228</u>	<u>\$ 14</u>	<u>\$ 740,292</u>	<u>\$ (10,659)</u>	<u>\$ (1,169,046)</u>	<u>\$ (439,399)</u>	

	Six Months Ended July 31, 2023								
	Series A Convertible Preferred Stock		Class A Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit	
	Shares	Amount	Shares	Amount					
Balance as of January 31, 2023	500	\$ 489,990	144,301	\$ 14	\$ 818,996	\$ (7,065)	\$ (1,335,796)	\$ (523,851)	
Issuance of common stock under employee equity plans, net of shares withheld for employee payroll taxes	—	—	3,558	—	(25,835)	—	—	(25,835)	
Stock-based compensation related to stock awards	—	—	—	—	108,056	—	—	108,056	
Accretion and dividend on series A convertible preferred stock, net of dividends paid	—	1,031	—	—	(8,531)	—	—	(8,531)	
Repurchases of common stock	—	—	(3,814)	—	(105,475)	—	—	(105,475)	
Other comprehensive loss	—	—	—	—	—	(469)	—	(469)	
Net income	—	—	—	—	—	—	19,141	19,141	
Balance as of July 31, 2023	<u>500</u>	<u>\$ 491,021</u>	<u>144,045</u>	<u>\$ 14</u>	<u>\$ 787,211</u>	<u>\$ (7,534)</u>	<u>\$ (1,316,655)</u>	<u>\$ (536,964)</u>	

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

	Six Months Ended July 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 37,718	\$ 19,141
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,984	24,483
Stock-based compensation expense	106,273	100,623
Amortization of deferred commissions	26,538	27,369
Other	2,402	1,705
Changes in operating assets and liabilities:		
Accounts receivable, net	103,301	96,309
Deferred commissions	(19,288)	(17,319)
Operating lease right-of-use assets, net	13,350	15,850
Other assets	(595)	(1,227)
Accounts payable, accrued expenses and other liabilities	(14,399)	(6,136)
Operating lease liabilities	(15,326)	(24,186)
Deferred revenue	(82,456)	(79,006)
Net cash provided by operating activities	167,502	157,606
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of short-term investments	(56,455)	(65,745)
Maturities of short-term investments	75,896	50,000
Sales of short-term investments	3,567	—
Purchases of property and equipment	(1,674)	(2,000)
Proceeds from sales of property and equipment	5,991	1,253
Capitalized internal-use software costs	(11,677)	(8,377)
Other	—	(190)
Net cash provided by (used in) investing activities	15,648	(25,059)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repurchases of common stock	(138,686)	(104,906)
Payments of dividends to preferred stockholders	(7,500)	(7,443)
Proceeds from exercise of stock options	15,353	795
Proceeds from issuances of common stock under employee stock purchase plan	15,677	16,045
Employee payroll taxes paid for net settlement of stock awards	(37,783)	(42,026)
Principal payments of finance lease liabilities	(2,141)	(18,952)
Other	(2,022)	(3,570)
Net cash used in financing activities	(157,102)	(160,057)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(2,589)	(4,836)
Net increase (decrease) in cash, cash equivalents, and restricted cash	23,459	(32,346)
Cash, cash equivalents, and restricted cash, beginning of period⁽¹⁾	384,257	429,040
Cash, cash equivalents, and restricted cash, end of period⁽¹⁾	\$ 407,716	\$ 396,694

(1) Restricted cash is included in other current assets in the condensed consolidated balance sheets for the periods presented.

See notes to condensed consolidated financial statements.

BOX, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Description of Business and Basis of Presentation

Description of Business

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

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements, which include the accounts of Box and its wholly owned subsidiaries, have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) and applicable rules and regulations of the SEC for interim financial reporting. Accordingly, they do not include all of the financial information and footnotes required by GAAP for complete financial statements.

In the opinion of our management, the unaudited condensed consolidated financial statements include all adjustments necessary for the fair presentation of our balance sheets, statements of operations, statements of comprehensive income, statements of convertible preferred stock and stockholders' deficit, and the statements of cash flows for the interim periods, but are not necessarily indicative of the results to be expected for any subsequent quarter or for the year ending January 31, 2025. The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements in our Annual Report on Form 10-K for the year ended January 31, 2024, which was filed with the SEC on March 11, 2024.

Certain prior period amounts reported in our condensed consolidated financial statements have been reclassified to conform to the current year presentation. Such reclassifications did not affect revenue, income from operations, or net income.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make, on an ongoing basis, estimates and assumptions that affect the amounts reported and disclosed in the financial statements and the accompanying notes. Actual results could differ from these estimates. Such estimates include, but are not limited to, the fair value of acquired intangible assets, the useful lives of intangible assets, the incremental borrowing rate we use to determine our lease liabilities, and the valuation allowance of deferred income tax assets. Management bases its estimates on historical experience and on various other assumptions which management believes to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

Certain Risks and Concentrations

Our financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, short-term investments, and accounts receivable. Although we deposit our cash with multiple financial institutions, our deposits, at times, may exceed deposit insurance coverage limits.

We sell to a broad range of customers. Our revenue is derived primarily from the United States across a multitude of industries. Accounts receivable are derived from the delivery of our services to customers primarily located in the United States. We accept and settle our accounts receivable using credit cards, electronic payments and checks. A majority of our lower dollar value invoices are settled by credit card on or near the date of the invoice. We do not require collateral from customers to secure accounts receivable. We believe collections of our accounts receivable are probable based on the size, industry diversification, financial condition and past transaction history of our customers. As of July 31, 2024 and January 31, 2024, no single customer accounted for more than 10% of total accounts receivable. No single customer represented over 10% of our revenue for the three and six months ended July 31, 2024 and 2023.

We serve our customers and users from public cloud hosting operated by third parties. In order to reduce the risk of down time of our subscription services, we have public cloud hosting services established in various locations in the United States and abroad and we have internal procedures to restore services in the event of disaster. Even with these procedures for disaster recovery in place, our cloud services could be significantly interrupted during the implementation of the procedures to restore services.

Geographic Locations

For the three and six months ended July 31, 2024, revenue attributable to customers in the United States was 65% and revenue attributable to customers in Japan was 22%. For the three and six months ended July 31, 2023, revenue attributable to customers in the United States was 66% and 67%, respectively and revenue attributable to customers in Japan was 21%.

As of July 31, 2024 and January 31, 2024, substantially all of our property and equipment was located in the United States.

Summary of Significant Accounting Policies

Derivative Instruments and Hedging

We measure derivative instruments at fair value and recognize them as either assets or liabilities on our condensed consolidated balance sheets. We record changes in fair value of derivative instruments designated as cash flow hedges in other comprehensive income (loss). When the hedged transaction affects earnings, we subsequently reclassify the net derivative gain or loss within other comprehensive income (loss) into the same line as the hedged item on the condensed consolidated statements of operations to offset the changes in the hedged transaction. Derivatives not designated as hedging instruments are adjusted to fair value through interest and other income, net, on our condensed consolidated statements of operations in the period during which changes in fair value occur.

There have been no other material changes to our significant accounting policies and estimates during the six months ended July 31, 2024 from those disclosed in our Form 10-K for the year ended January 31, 2024. Additionally, we have a single reporting segment and all required segment information can be found in the condensed consolidated financial statements.

Recently Adopted and Issued Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires disclosure of incremental segment information on an annual and interim basis. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024 and requires retrospective application to all prior periods presented in the financial statements. We are currently evaluating the impact of the new standard on our condensed consolidated financial statement disclosures.

In December 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures*, which requires greater disaggregation of tax information in rate reconciliation and income taxes paid by jurisdiction. This ASU is effective for fiscal years beginning after December 15, 2024. We are currently evaluating the impact of the new standard on our condensed consolidated financial statement disclosures.

Note 2. Revenue

Deferred Revenue

Deferred revenue was \$502.1 million and \$586.9 million as of July 31, 2024 and January 31, 2024, respectively. During the three months ended July 31, 2024 and 2023, we recognized \$222.5 million and \$219.1 million of revenue that was included in the deferred revenue balance as of April 30, 2024 and 2023, respectively. During the six months ended July 31, 2024 and 2023, we recognized \$397.5 million and \$379.8 million of revenue that was included in the deferred revenue balance as of January 31, 2024 and 2023, respectively.

Transaction Price Allocated to the Remaining Performance Obligations

As of July 31, 2024, we had remaining performance obligations from contracts with customers of \$1.3 billion. We expect to recognize revenue on 57% of these remaining performance obligations over the next 12 months, with the substantial majority of the remaining balance expected to be recognized within 24 months.

Note 3. Fair Value of Financial Instruments

Fair Value Measurements of Assets and Liabilities Measured at Fair Value on a Recurring Basis

We measure our financial assets and liabilities at fair value at each reporting period using a fair value hierarchy which requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. We define fair value as the exchange price that would be received from selling an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A financial instrument's classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Three levels of inputs may be used to measure fair value:

- Level 1—Observable inputs are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs are quoted prices for similar assets and liabilities in active markets or inputs other than quoted prices which are observable for the assets or liabilities, either directly or indirectly through market corroboration, for substantially the full term of the financial instruments.
- Level 3—Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. These inputs are based on our own assumptions used to measure assets and liabilities at fair value and require significant management judgment or estimation.

Financial assets subject to the fair value disclosure requirements are included in the table below. All of our financial assets are classified as Level 1. The estimated fair value of cash equivalents and short-term investments were as follows (in thousands):

	July 31, 2024	January 31, 2024
Cash equivalents:		
Money market funds	\$ 84,437	\$ 189,268
Total cash equivalents	84,437	189,268
Short-term investments:		
U.S. treasury securities	75,605	61,484
Non-U.S. government issued securities	—	5,464
Total short-term investments (1)	75,605	66,948
Total cash equivalents and short-term investments (1)	\$ 160,042	\$ 256,216

(1) As of January 31, 2024, we had a certificate of deposit for a total of \$30.0 million with an original maturity of more than three months and less than twelve months that is classified as a short-term investment in our condensed consolidated balance sheet. This certificate of deposit is not included in the table above as it does not meet the definition of a security.

There were no material differences between the estimated fair value and amortized cost of our cash equivalents and short-term investments.

As of July 31, 2024, remaining contractual maturities of our short-term investments were all within one year and we do not consider any portion of the unrealized losses to be credit losses.

Fair Value Measurements of Other Financial Instruments

In June 2023, we entered into an amended and restated secured credit agreement (the "June 2023 Facility") to provide for a \$150.0 million revolving loan facility. As of July 31, 2024 and January 31, 2024, we had total debt outstanding relating to the June 2023 Facility with a gross carrying amount of \$30.0 million. The estimated fair value of the June 2023 Facility, which we have classified as a Level 2 financial instrument, approximates its carrying value.

In January 2021, we issued \$345.0 million aggregate principal amount of 0.00% convertible senior notes due January 15, 2026 (the "Convertible Notes"). The fair value of the Convertible Notes is determined using observable market prices. The fair value of the Convertible Notes, which we have classified as a Level 2 instrument, was \$407.5 million and \$392.1 million as of July 31, 2024 and January 31, 2024, respectively.

During the six months ended July 31, 2024, we entered into foreign currency forward contracts to hedge monetary assets and liabilities denominated in non-functional currencies. These foreign currency forward contracts are recorded at fair value and have maturities of 12 months or less. As of July 31, 2024, we had foreign currency forward contracts not designated as hedging instruments with a total notional value of \$72.0 million. Our foreign currency forward contracts are classified within Level 2 as the valuation inputs are based on quoted prices and market observable data of similar instruments in active markets, such as currency spot and forward rates. The gross fair value of these foreign currency forward contracts was not material as of July 31, 2024. The gains recognized for these foreign currency forward contracts were not material for the three and six months ended July 31, 2024. As of January 31, 2024, we did not have foreign currency forward contracts.

Note 4. Leases

We have entered into various non-cancellable operating lease agreements for certain of our offices and data centers with lease periods expiring primarily between fiscal years 2026 and 2034. Certain of these arrangements have free or escalating rent payment provisions and optional renewal or termination clauses. Our operating leases typically include variable lease payments, which are primarily comprised of common area maintenance and utility charges for our offices and power and network connections for our data centers, that are determined based on actual consumption. Our operating lease agreements do not contain any residual value guarantees, covenants, or other restrictions.

We have also entered into various finance lease arrangements to obtain servers and related equipment for our data center operations. These agreements are primarily for four years and certain of these arrangements have optional renewal or termination clauses. The leases are secured by the underlying leased servers and related equipment. During fiscal year 2023, we modified our finance leases to reflect our intent to exercise the purchase options at the end of the term of each finance lease. As of January 31, 2024, there were no remaining material finance lease liabilities.

We sublease certain floors of our Redwood City and London offices. Our current subleases have total lease terms ranging from 13 to 48 months that will expire at various dates by fiscal year 2026.

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

	Three Months Ended July 31,		Six Months Ended July 31,	
	2024	2023	2024	2023
Finance lease cost:				
Amortization of finance lease right-of-use assets	\$ —	\$ 5,287	\$ 374	\$ 11,815
Interest on finance lease liabilities	—	271	12	627
Operating lease cost, gross	6,498	12,218	16,606	25,393
Variable lease cost, gross	1,528	2,344	3,618	4,654
Sublease income	(1,516)	(1,704)	(2,935)	(3,373)
Total lease cost	\$ 6,510	\$ 18,416	\$ 17,675	\$ 39,116

As of July 31, 2024, maturities of our operating lease liabilities, which do not include short-term leases and variable lease payments, are as follows (in thousands):

Years ending January 31:	Operating Leases (1)
Remainder of 2025	\$ 15,863
2026	30,374
2027	28,825
2028	25,179
2029	12,092
Thereafter	10,897
Total lease payments	\$ 123,230
Less: imputed interest	\$ (15,395)
Present value of total lease liabilities	\$ 107,835

(1) Non-cancellable sublease proceeds for the remainder of the year ending January 31, 2025 and the year ending January 31, 2026 of \$2.4 million and \$1.0 million, respectively, are not included in the table above.

As of July 31, 2024, we had one operating lease for an office space that has not yet commenced. This operating lease has aggregated undiscounted future payments of \$20.0 million and a lease term of nine years. This operating lease is estimated to commence during fiscal year 2026.

Note 5. Commitments and Contingencies

Letters of Credit

As of July 31, 2024 and January 31, 2024, we had letters of credit in the aggregate amount of \$11.2 million and \$11.4 million, respectively, in connection with our operating leases and voluntary disability insurance (VDI) program, which were primarily issued under the available sublimit for the issuance of letters of credit in conjunction with a secured credit agreement as disclosed in Note 6.

Purchase Obligations

Our purchase obligations relate primarily to public cloud hosting services and IT software and support services costs and have terms ranging from two to eight years. As of July 31, 2024, future minimum payments under non-cancellable contractual purchases, which were not recognized on our condensed consolidated balance sheet, are as follows, shown in accordance with the payment due date (in thousands):

Years ending January 31:

Remainder of 2025	\$	1,945
2026		17,477
2027		265,752
2028		511
2029		355
Total	\$	<u>286,040</u>

Legal Matters

From time to time, we are subject to litigation and claims that arise in the ordinary course of business. We investigate litigation and claims as they arise and accrue estimates for resolution of legal and other contingencies when losses are probable and estimable. Although the results of litigation and claims cannot be predicted with certainty, we believe there was not at least a reasonable possibility that we had incurred a material loss with respect to such loss contingencies as of July 31, 2024.

Note 6. Debt

Convertible Senior Notes

In January 2021, we issued \$345.0 million aggregate principal amount of 0.00% convertible senior notes due January 15, 2026. The Convertible Notes are senior unsecured obligations and do not bear regular interest. Each \$1,000 principal amount of the Convertible Notes will be convertible into 38.7962 shares of our Class A common stock, which is equivalent to a conversion price of approximately \$25.78 per share.

There have been no changes to the conversion or redemption terms of the Convertible Notes during the six months ended July 31, 2024 from those disclosed in Item 8. Financial Statements and Supplementary Data in our Form 10-K for the year ended January 31, 2024.

As of July 31, 2024, the conditions allowing holders of the Convertible Notes to convert were not met.

The net carrying amount of the Convertible Notes consisted of the following (in thousands):

	July 31, 2024	January 31, 2024
Principal	\$ 345,000	\$ 345,000
Unamortized issuance costs	(2,796)	(3,750)
Net carrying amount	<u>\$ 342,204</u>	<u>\$ 341,250</u>

Issuance costs are being amortized to interest expense over the term of the Convertible Notes using the effective interest rate method. The effective interest rate used to amortize the issuance costs is 0.56%. For the three and six months ended July 31, 2024 and 2023, interest expense recognized related to the Convertible Notes was not material.

Capped Calls

In connection with the pricing of the Convertible Notes, we entered into privately negotiated capped call transactions with certain counterparties (the "Capped Calls"). The Capped Calls each have a strike price of approximately \$25.80 per share, subject to certain adjustments, which correspond to the initial conversion price of the Convertible Notes. The Capped Calls have initial cap prices of \$35.58 per share, subject to certain adjustments. The Capped Calls cover, subject to anti-dilution adjustments, approximately 13.4 million shares of our Class A common stock. The Capped Calls are generally intended to reduce or offset the potential dilution to our common stock upon any conversion of the Convertible Notes with such reduction or offset, as the case may be, subject to a cap based on the cap price. The Capped Calls are separate transactions, and not part of the terms of the Convertible Notes. As these transactions meet certain accounting criteria, the Capped Calls are recorded in stockholders' deficit and are not accounted for as derivatives. The cost of \$27.8 million incurred in connection with the Capped Calls was recorded as a reduction to additional paid-in capital.

Line of Credit

On June 30, 2023, we entered into an amended and restated secured credit agreement to provide for a \$150.0 million revolving loan facility with a \$45.0 million sublimit for the issuance of letters of credit. Pursuant to the terms of the June 2023 Facility, the maturity date of the revolving loan facility is the earlier of (i) June 30, 2028, (ii) October 16, 2025, except to the extent that both of the following conditions are satisfied as of such date: (x) the outstanding principal amount of the Convertible Notes as of such date is not greater than \$100.0 million and (y) our liquidity (as determined in accordance with the June 2023 Facility) is greater than or equal to the outstanding principal amount of such Convertible Notes as of such date, and (iii) February 11, 2028, only in the event that any of our Series A Convertible Preferred Stock remains outstanding as of such date. In addition, the June 2023 Facility adopts the Secured Overnight Financing Rate (SOFR) as the interest rate benchmark, with the revolving loans accruing interest at a rate per annum equal to, at our option, (a) an adjusted term SOFR rate (based on one, three, or six-month interest periods) plus a margin ranging from 1.35% to 1.85%, (b) a daily simple SOFR rate plus a margin ranging from 1.35% to 1.85%, or (c) a prime rate plus a margin of 0.35% to 0.85%. The borrowings under the June 2023 Facility are collateralized by substantially all of our assets. The June 2023 Facility requires us to comply with a maximum leverage ratio and a minimum liquidity requirement. Additionally, the June 2023 Facility contains customary affirmative and negative covenants.

As of July 31, 2024, we had total debt outstanding with a net carrying amount of \$29.6 million and we were in compliance with all financial covenants.

Note 7. Redeemable Convertible Preferred Stock and Stockholders' Deficit

Series A Convertible Preferred Stock

On April 7, 2021, we entered into an investment agreement with a group of investors led by KKR & Co. Inc. (collectively "KKR") relating to the issuance and sale of 500,000 shares of our Series A Convertible Preferred Stock, par value \$0.0001 per share, for an aggregate purchase price of \$500 million, or \$1,000 per share.

There have been no changes to the terms and conditions of the Series A Preferred Stock for the six months ended July 31, 2024 from those disclosed in Item 8. Financial Statements and Supplementary Data in our Form 10-K for the year ended January 31, 2024.

During the six months ended July 31, 2024, we paid cash dividends to our Series A Preferred Stockholders in the amount of \$7.5 million and as of July 31, 2024, we had accrued dividends of \$1.3 million on the Series A Preferred Stock. Accrued dividends are recorded against additional paid-in capital due to Box being in an accumulated deficit position.

Share Repurchase Plan

Our Board of Directors has authorized a share repurchase plan to opportunistically repurchase shares of our outstanding Class A common stock in open market transactions. We periodically enter into pre-set trading plans adopted in accordance with Rule 10b5-1 to effect repurchases under our share repurchase plan.

During the three months ended July 31, 2024, we repurchased 3.9 million shares at a weighted average price of \$26.25 per share for a total amount of \$101.9 million. During the six months ended July 31, 2024, we repurchased 5.3 million shares at a weighted average price of \$26.48 per share for a total amount of \$139.1 million. As of July 31, 2024, \$24.6 million remained available for additional repurchases.

On August 25, 2024, our Board of Directors authorized an expansion of the share repurchase plan. Under this expansion, an additional \$100 million of our Class A common stock may be repurchased in open market transactions through August 25, 2025.

Note 8. Stock-Based Compensation

Employee Equity Plans

We currently have two employee equity plans that have been adopted by our Board of Directors. These plans, the 2015 Equity Incentive Plan (as amended or otherwise modified, the "2015 Plan") and the 2015 Employee Stock Purchase Plan (the "2015 ESPP"), are described in more detail in Item 8. Financial Statements and Supplementary Data in our Form 10-K for the year ended January 31, 2024. On July 2, 2024, our stockholders approved the amended and restated 2015 Plan. Subject to the adjustment provisions, the maximum number of shares that may be issued under the 2015 Plan is (a) 9,000,000 shares of our Class A common stock, plus (b) any shares subject to awards granted under our 2011 Equity Incentive Plan, as amended, and the 2015 Plan that were outstanding on or prior to the approval of the amended and restated 2015 Plan, and that subsequently expire, are forfeited to or repurchased, or otherwise terminate without having been exercised or issued in full, up to a maximum of 20,228,040 shares. As of July 31, 2024, 9,046,889 shares and 3,298,894 shares were reserved for future issuance under the 2015 Plan and the 2015 ESPP, respectively.

Stock Options

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

	Shares Subject to Options Outstanding		Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (in thousands)
	Shares	Weighted-Average Exercise Price		
Balance as of January 31, 2024	2,283,543	\$ 17.69	2.93	\$ 18,975
Options exercised	(908,660)	18.86		
Balance as of July 31, 2024	<u>1,374,883</u>	\$ 16.92	2.55	\$ 15,406
Exercisable as of July 31, 2024	<u>1,374,883</u>	\$ 16.92	2.55	\$ 15,406

Restricted Stock Units

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

	Number of Restricted Stock Units Outstanding	Weighted-Average Grant Date Fair Value
Unvested balance - January 31, 2024	14,079,595	\$ 26.17
Granted	7,443,178	27.76
Vested	(3,931,365)	25.83
Forfeited/cancelled	(949,362)	26.81
Unvested balance - July 31, 2024	<u>16,642,046</u>	\$ 26.93

As of July 31, 2024, there was \$417.1 million of unrecognized stock-based compensation expense related to outstanding restricted stock units granted to employees that is expected to be recognized over a weighted-average period of 2.69 years.

Performance-Based Restricted Stock Units

We use performance-based incentives for certain employees, including our named executive officers, to achieve our annual financial and operational objectives, while making progress towards our longer-term strategic and growth goals. Based on a review of our actual achievement of the pre-established corporate financial objectives and additional inputs from our Compensation Committee, the executive bonus plan for fiscal year 2024 was determined, settled and paid out in the first quarter of fiscal year 2025 in the form of cash and fully vested restricted stock units. During the first quarter of fiscal year 2025, our Compensation Committee also adopted and approved the performance criteria and targets for the executive bonus plan for fiscal year 2025, which is expected to be paid out in the form of cash and fully vested restricted stock units in the first quarter of fiscal year 2026.

During the six months ended July 31, 2024, we recognized stock-based compensation expense related to executive bonus plans in the amount of \$7.2 million. The unrecognized compensation expense related to the ungranted and unvested executive bonus plan for fiscal year 2025 is \$9.4 million, based on the expected performance against the pre-established corporate financial objectives as of July 31, 2024, which is expected to be recognized over a remaining weighted-average period of less than one year.

2015 ESPP

As of July 31, 2024, there was \$9.1 million of unrecognized stock-based compensation expense related to the 2015 ESPP that is expected to be recognized over a weighted-average period of 1.08 years.

Stock-Based Compensation

The following table summarizes the components of stock-based compensation expense recognized in the condensed consolidated statements of operations (in thousands):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2024	2023	2024	2023
Cost of revenue	\$ 4,731	\$ 5,230	\$ 9,352	\$ 9,715
Research and development	19,676	18,722	37,495	35,724
Sales and marketing	19,173	17,546	36,956	32,864
General and administrative	11,531	11,848	22,470	22,320
Total stock-based compensation	<u>\$ 55,111</u>	<u>\$ 53,346</u>	<u>\$ 106,273</u>	<u>\$ 100,623</u>

Note 9. Net Income per Share Attributable to Common Stockholders

Basic net income per share is computed by dividing net income by the weighted-average number of common stocks outstanding for the period. Diluted net income per share is computed by giving effect to all potential weighted-average dilutive common stock, including stock options, restricted stock units, ESPP, and convertible senior notes.

The following table sets forth the computation of basic and diluted net income per share attributable to common stockholders (in thousands, except per share amounts):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2024	2023	2024	2023
Numerator:				
Net income	\$ 20,496	\$ 10,791	\$ 37,718	\$ 19,141
Accretion and dividend on series A convertible preferred stock	(4,310)	(4,307)	(8,550)	(8,531)
Undistributed earnings attributable to preferred stockholders	(1,845)	(740)	(3,313)	(1,209)
Net income attributable to common stockholders, basic and diluted	<u>\$ 14,341</u>	<u>\$ 5,744</u>	<u>\$ 25,855</u>	<u>\$ 9,401</u>
Denominator:				
Weighted-average number of shares used to compute net income per share attributable to common stockholders, basic	144,070	144,248	144,678	144,490
Dilutive effect of awards issued under employee equity plans	2,098	4,366	2,395	4,307
Dilutive effect of shares related to the convertible senior notes	357	1,393	561	1,421
Weighted-average number of shares used to compute net income per share attributable to common stockholders, diluted	<u>146,525</u>	<u>150,007</u>	<u>147,634</u>	<u>150,218</u>
Net income per share attributable to common stockholders, basic	<u>\$ 0.10</u>	<u>\$ 0.04</u>	<u>\$ 0.18</u>	<u>\$ 0.07</u>
Net income per share attributable to common stockholders, diluted	<u>\$ 0.10</u>	<u>\$ 0.04</u>	<u>\$ 0.18</u>	<u>\$ 0.06</u>

The following weighted-average outstanding shares of common stock equivalents were excluded from the computation of diluted net income per share for the periods presented because the impact of including them would have been antidilutive (in thousands):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2024	2023	2024	2023
Options to purchase common stock	25	7	25	7
Restricted stock units	7,303	80	5,453	56
Employee stock purchase plan	1,638	1,977	1,242	1,508
Shares related to convertible preferred stock	18,541	18,587	18,540	18,586
Total	27,507	20,651	25,260	20,157

Note 10. Income Taxes

The provision for income taxes was \$4.5 million and \$9.1 million for the three and six months ended July 31, 2024, respectively, and \$2.4 million and \$4.7 million for the three and six months ended 2023, respectively. Our income taxes for the three and six months ended July 31, 2024 and 2023 were primarily due to state income taxes and foreign income taxes.

For the three and six months ended July 31, 2024, the difference between the U.S. statutory rate and our effective tax rate was primarily due to the valuation allowance on our U.S. deferred tax assets, state income taxes, driven by the capitalization of research and development expenditures, and differing foreign tax rates.

For the three and six months ended July 31, 2023, the difference between the U.S. statutory rate and our effective tax rate was primarily due to the valuation allowance on our U.S. and U.K. deferred tax assets, state income taxes, driven by the capitalization of research and development expenditures, and differing foreign tax rates.

We evaluate tax positions for recognition using a more-likely-than-not recognition threshold, and those tax positions eligible for recognition are measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon the effective settlement with a taxing authority that has full knowledge of all relevant information. We believe that we have provided adequate reserves for our income tax uncertainties in all open tax years.

We file tax returns in the U.S. for federal, California, and other states. All tax years remain open to examination for both federal and state purposes as a result of our net operating loss and credit carryforwards. We file tax returns in the United Kingdom (U.K.) and other foreign jurisdictions in which we operate. Tax years ending on January 31, 2020 and onwards remain open to examination for the U.K. Certain tax years remain open to examination under the statute of limitations of the respective countries in which our other foreign subsidiaries are located.

Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Overview

Box is the Intelligent Content Cloud: a secure and intelligent content management (ICM) platform. Box gives organizations a single platform for their unstructured data – which typically represents about 90% of all data within an organization. This data is content – from blueprints to wireframes, videos to documents, proprietary formats to PDFs – and it is the source of an organization’s unique value. The Box Intelligent Content Cloud enables our customers to securely manage the entire content lifecycle, from the moment a file is created or ingested to when it is shared, edited, published, approved, signed, classified, and retained. Box keeps content secure and compliant, while also allowing easy access and sharing of this content from anywhere, on any device – both within the organization and with external partners.

With our Software-as-a-Service (SaaS) platform, users can work with their content as they need – from secure external collaboration and workspaces to e-signature processes and content workflows – improving employee productivity and accelerating business processes. IT teams can establish a space for compliant content management, and developers can easily create customized portals for white-labeled content collaboration. Administrators have a wide range of security, data protection, and compliance features they can activate to help meet legal and regulatory requirements, internal policies, and industry standards and regulations. The Box platform enables a broad range of high-value business use cases and integrates with more than 1,500 leading business applications. With hundreds of file formats and media types supported, Box is compatible with multiple application environments, operating systems, and devices – ensuring that workers can securely access their critical business content whenever and wherever they need it.

In addition, we continue to innovate by expanding our core services and offerings. We recently announced the public beta of Box Hubs to surface curated content quickly and securely through intelligent portals. Box Hubs is available with Box AI, a new set of capabilities that natively integrates advanced artificial intelligence (AI) models into Box’s ICM platform. Using Box AI for Hubs, customers can easily find answers to critical questions across multiple documents in Box and generate new content. In addition, Box AI for Documents, which allows users to ask questions about any document they are viewing to quickly uncover key findings, and Box AI for Notes, which enables users to generate content or refine drafted material, are both now generally available. In addition, the Box AI application programming interfaces (APIs) for text generation and document Q&A are available via public beta so customers can extend Box AI capabilities to their custom applications.

We also provide many more content tools, including:

- Box Platform, our Platform-as-a-Service (PaaS) product, which enables customers and partners to build enterprise applications using our open APIs and developer tools;
- Box Shield, our advanced security offering that reduces the risk of accidental content leakage, protects from insider threats and account compromise, provides threat detection, response, and recovery for malware and ransomware incidents;
- Box Governance, our solution that provides customers with enhanced capabilities to comply with regulatory policies and helps streamline e-discovery requests and manage sensitive business information throughout its lifecycle;
- Box KeySafe, our solution that builds on top of Box’s strong encryption and security capabilities to give customers greater control over the encryption keys used to secure the file contents that are stored with Box;
- Box Relay, our process automation tool that allows our users to easily build, manage, track, and automate workflows without requiring coding;
- Box Sign, our secure, seamless e-signatures solution that natively integrates with customer content in Box;
- Box Zones, our solution that enables global customers to store their content in certain regions to meet compliance requirements;
- Box Shuttle, our content migration tool that allows for easy, affordable, self-service content migration directly from more than ten source systems into Box; and
- Box Canvas, our natively integrated, interactive virtual whiteboard tool.

In addition, with Box Consulting, organizations can access professional services for critical topics like implementation, technology and application development, and change management and user training. The increasing traction of these product innovations allows our customers to realize the full set of capabilities of the Intelligent Content Cloud.

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

Current Period Highlights

For the three months ended July 31, 2024 and 2023, our revenue was \$270.0 million and \$261.4 million, respectively, representing year-over-year growth of 3%, or 6% growth on a constant currency basis. As of July 31, 2024, our remaining performance obligations were \$1.272 billion, representing a 12% increase from our remaining performance obligations of \$1.138 billion as of July 31, 2023, or 14% growth on a constant currency basis. For the three months ended July 31, 2024, our gross profit was \$214.5 million and our gross margin was 79.4%, compared to our gross profit of \$194.4 million and our gross margin of 74.4% for the three months ended July 31, 2023. For the three months ended July 31, 2024, our operating income was \$20.3 million and our operating margin was 7.5%, compared to our operating income of \$9.9 million and our operating margin of 3.8% for the three months ended July 31, 2023. For the three months ended July 31, 2024, our net cash provided by operating activities was \$36.3 million, an increase of 11% from our net cash provided by operating activities of \$32.7 million for the three months ended July 31, 2023. For the three months ended July 31, 2024, our non-GAAP free cash flow was \$32.7 million, an increase of 59% from our non-GAAP free cash flow of \$20.6 million for the three months ended July 31, 2023.

To supplement our current period highlights, we present growth on a constant currency basis for revenue and remaining performance obligations. Growth on a constant currency basis is determined by comparing current period reported results with the current results calculated using the equivalent rates in the prior period.

Impact of Macroeconomic Factors on Our Business

Our overall performance depends in part on worldwide economic and geopolitical conditions and their impact on customer behavior. Worsening economic conditions, including impacts from inflation, higher interest rates, slower growth, the stronger dollar versus foreign currencies, particularly the Japanese Yen, the ongoing Hamas-Israel and Russia-Ukraine conflicts and other changes in economic conditions, may adversely affect our results of operations and financial performance. During the three months ended July 31, 2024, in addition to headwinds from foreign exchange rate trends, we continued to see an impact from additional customer scrutiny being placed on larger deals and lower seat expansion rates due to the challenging macroeconomic environment. As a result, we have experienced, and may continue to experience, increased customer churn and delayed sales cycles, as well as customers and prospective customers reducing budgets related to services that we offer. While we believe IT budgets have tightened and some larger deals have required more scrutiny across verticals and geographies, we also believe we are well-positioned to execute through these dynamic times as Box's ICM platform enables enterprises to streamline their businesses, drive up productivity, reduce risk, and lower costs.

Key Business Metrics

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

Remaining Performance Obligations

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

RPO as of July 31, 2024 was \$1.272 billion, an increase of 12% from July 31, 2023. The increase in RPO was primarily driven by expansion within existing customers as they broadened their deployment of our product offerings and the conversion to multi-product Suites. The increase in RPO was also driven by the addition of new customers and the timing of customer-driven renewals. RPO growth was partially offset by a negative impact of 230 basis points from foreign currency exchange rates.

Billings

Billings represent our revenue plus the changes in deferred revenue and contract assets in the period. Billings we record in any particular period primarily reflect subscription renewals and expansion within existing customers plus sales to new customers, and represent amounts invoiced for all of our products and professional services. We typically invoice our customers at the beginning of the term, in multi-year, annual, quarterly or monthly installments. If the customer negotiates to pay the full subscription amount at the beginning of the period, the total subscription amount for the entire term will be reflected in billings. If the customer negotiates to be invoiced annually or more frequently, only the amount billed for such period will be included in billings.

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

Billings for the three and six months ended July 31, 2024 were \$256.4 million and \$446.9 million, respectively, representing an increase of 10% for the three months ended July 31, 2024 and an increase of 5% for the six months ended July 31, 2024. The increase in billings was primarily driven by expansion within existing customers as they broadened their deployment of our product offerings and the conversion to multi-product Suites, the addition of new customers, and the timing of customer-driven renewals. Billings growth for the three and six months ended July 31, 2024 was favorably impacted by 100 basis points and unfavorably impacted by 200 basis points, respectively, from foreign currency exchange rates.

Our use of billings has certain limitations as an analytical tool and should not be considered in isolation or as a substitute for revenue or an analysis of our results as reported under GAAP. Billings are recognized when invoiced, while the related subscription and premier services revenue is recognized ratably over the contract term as we satisfy a performance obligation. Also, other companies, including companies in our industry, may not use billings, may calculate billings differently, may have different billing frequencies, or may use other financial measures to evaluate their performance, all of which could reduce the usefulness of billings as a comparative measure.

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

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

	Three Months Ended July 31,		Six Months Ended July 31,	
	2024	2023	2024	2023
GAAP revenue	\$ 270,039	\$ 261,428	\$ 534,697	\$ 513,326
Deferred revenue, end of period	502,104	479,293	502,104	479,293
Less: deferred revenue, beginning of period	(513,572)	(507,385)	(586,871)	(566,630)
Contract assets, beginning of period	3,345	2,642	2,452	1,900
Less: contract assets, end of period	(5,481)	(3,477)	(5,481)	(3,477)
Billings	<u>\$ 256,435</u>	<u>\$ 232,501</u>	<u>\$ 446,901</u>	<u>\$ 424,412</u>

Non-GAAP Free Cash Flow

We define non-GAAP free cash flow as cash flows from operating activities less purchases of property and equipment, principal payments of finance lease liabilities, capitalized internal-use software costs, and other items that did not or are not expected to require cash settlement and that management considers to be outside of our core business.

Non-GAAP free cash flow for the three and six months ended July 31, 2024 was \$32.7 million and \$156.0 million, respectively, representing an increase of 59% and 21% from the three and six months ended July 31, 2023, respectively. The increase in non-GAAP free cash flow in both periods was primarily driven by the reduction in payments of finance lease liabilities due to our migration to the public cloud from our collocated data centers. The increase was also driven by the increase in cash flows from operating activities, which is described in more detail under Liquidity and Capital Resources below.

A calculation of non-GAAP free cash flow starting with net cash provided by operating activities, the most directly comparable GAAP financial measure, is presented below (in thousands):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2024	2023	2024	2023
GAAP net cash provided by operating activities	\$ 36,298	\$ 32,676	\$ 167,502	\$ 157,606
Purchases of property and equipment, net of sale proceeds	2,897	1,574	4,317	(747)
Principal payments of finance lease liabilities	—	(9,071)	(2,141)	(18,952)
Capitalized internal-use software costs	(6,460)	(4,611)	(13,699)	(9,091)
Non-GAAP free cash flow	<u>\$ 32,735</u>	<u>\$ 20,568</u>	<u>\$ 155,979</u>	<u>\$ 128,816</u>

Net Retention Rate

Net retention rate is defined as the net percentage of Total Annual Recurring Revenue (Total ARR) retained from existing customers, including expansion. We define Total ARR as the annualized recurring revenue from all active customer contracts at the end of a reporting period. We calculate our net retention rate as of a period end by starting with the Total ARR from customers as of 12 months prior to such period end (Prior Period Total ARR). We then calculate Total ARR from these same customers as of the current period end (Current Period Total ARR). Finally, we divide the Current Period Total ARR by the Prior Period Total ARR to arrive at our net retention rate. In calculating our net retention rate, we include only Total ARR associated with those customers who have subscribed to Box for at least 12 months. We believe our net retention rate is an important metric that provides insight into the long-term value of our subscription agreements and our ability to retain and grow revenue from our customer base. Net retention rate is an operational metric and there is no comparable GAAP financial measure to which we can reconcile this particular key metric.

Our net retention rate was 102% and 103% as of July 31, 2024 and 2023, respectively. The decline in our net retention rate as of July 31, 2024 was primarily attributable to heightened budget scrutiny putting pressure on seat expansion within existing customers and increased partial customer churn. As our customers purchase add-on products or our bundled Enterprise Plus plan, we tend to realize significantly higher average contract values and stronger net retention rates as compared to customers who only purchase our core product. We believe our go-to-market efforts to deliver a solution selling strategy and our investments in product, customer success, and Box Consulting, including our Box Shuttle migration offering, are significant factors in our customer retention results. As we penetrate customer accounts, we expect our net retention rate to remain above 100% for the foreseeable future.

Components of Results of Operations

Revenue

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

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

We recognize revenue as we satisfy our performance obligations. Accordingly, due to our subscription model, we recognize revenue for our subscription and premier services ratably over the contract term. We typically invoice our customers at the beginning of the term, in multi-year, annual, quarterly or monthly installments. Our subscription and premier services contracts are typically non-cancellable and do not contain refund-type provisions. The majority of our customers subscribe to our service through one-year contracts, although we also offer our services for terms ranging between one month to three years or more.

Professional services are generally billed on a fixed price basis, for which revenue is recognized over time based on the proportion performed. Professional services revenue was not material as a percentage of total revenue for all periods presented.

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

Cost of Revenue

Our cost of revenue consists primarily of costs related to providing our subscription services to our paying customers, including employee compensation and related expenses for data center operations, customer support and professional services personnel, public cloud hosting costs, depreciation of servers and equipment, security services and other tools, as well as amortization expense associated with acquired technology and capitalized internally developed software. We allocate overhead such as rent, information technology costs and employee benefit costs to all departments based on headcount. As such, general overhead expenses are reflected in cost of revenue and each of the operating expense categories set forth below.

Operating Expenses

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

Research and Development. Research and development expense consists primarily of employee compensation and related expenses, as well as allocated overhead. Our research and development efforts are focused on scaling our platform, building an ecosystem of best-of-breed applications and platforms, infrastructure, adding enterprise grade features, functionality and enhancements such as workflow automation, intelligent content management capabilities, advanced security, e-signature capability, native visual collaboration and whiteboarding, and artificial intelligence to enhance the ease of use of our cloud content management services. We capitalize certain qualifying costs to develop software for internal use incurred during the application development stage.

Sales and Marketing. Sales and marketing expense consists primarily of employee compensation and related expenses, sales commissions, marketing programs, travel-related expenses, as well as allocated overhead. Marketing programs include but are not limited to advertising, events, corporate communications, brand building, and product marketing. Sales and marketing expense also consists of public cloud hosting, data center and customer support costs related to providing our cloud-based services to our free users. We market and sell our cloud content management services worldwide through our direct sales organization and through indirect distribution channels such as strategic resellers. Our sales and marketing expenses are generally higher for acquiring new or expanding existing customers than for renewals of existing customer subscriptions.

General and Administrative. General and administrative expense consists primarily of employee compensation and related expenses for administrative functions including finance, legal, human resources, recruiting, information systems, enterprise security, compliance, fees for external professional services and cloud-based enterprise systems, as well as allocated overhead. External professional services fees are primarily comprised of outside legal, accounting, audit and outsourcing services.

Interest and Other Income, Net

Interest and other income, net consists of interest income, interest expense, gains and losses from foreign currency transactions, and other income and expense. Interest income consists primarily of interest earned on our cash and cash equivalents and short-term investments. Interest expense consists primarily of interest charges for our line of credit and interest rate swap agreement, interest expense related to finance leases, and the amortization of issuance costs of our convertible senior notes. We have historically invested our cash and cash equivalents in overnight deposits, certificates of deposit, money market funds, U.S. treasury securities and non-U.S. government issued securities.

Provision for Income Taxes

Provision for income taxes consists primarily of state and foreign income taxes and, as applicable, changes in our deferred taxes, related valuation allowance positions and uncertain tax positions.

Results of Operations

The following tables set forth our results of operations for the periods presented (in thousands, except per share data):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2024	2023	2024	2023
Consolidated Statements of Operations Data:				
Revenue	\$ 270,039	\$ 261,428	\$ 534,697	\$ 513,326
Cost of revenue (1)	55,513	67,013	113,765	128,664
Gross profit	214,526	194,415	420,932	384,662
Operating expenses:				
Research and development (1)	65,445	63,316	128,118	125,834
Sales and marketing (1)	95,235	88,605	187,908	174,815
General and administrative (1)	33,566	32,619	66,619	65,803
Total operating expenses	194,246	184,540	382,645	366,452
Income from operations	20,280	9,875	38,287	18,210
Interest and other income, net	4,699	3,293	8,557	5,611
Income before provision for income taxes	24,979	13,168	46,844	23,821
Provision for income taxes	4,483	2,377	9,126	4,680
Net income	\$ 20,496	\$ 10,791	\$ 37,718	\$ 19,141
Accretion and dividend on series A convertible preferred stock	(4,310)	(4,307)	(8,550)	(8,531)
Undistributed earnings attributable to preferred stockholders	(1,845)	(740)	(3,313)	(1,209)
Net income attributable to common stockholders	\$ 14,341	\$ 5,744	\$ 25,855	\$ 9,401
Net income per share attributable to common stockholders				
Basic	\$ 0.10	\$ 0.04	\$ 0.18	\$ 0.07
Diluted	\$ 0.10	\$ 0.04	\$ 0.18	\$ 0.06
Weighted-average shares used to compute net income per share attributable to common stockholders				
Basic	144,070	144,248	144,678	144,490
Diluted	146,525	150,007	147,634	150,218

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

	Three Months Ended July 31,		Six Months Ended July 31,	
	2024	2023	2024	2023
Cost of revenue	\$ 4,731	\$ 5,230	\$ 9,352	\$ 9,715
Research and development	19,676	18,722	37,495	35,724
Sales and marketing	19,173	17,546	36,956	32,864
General and administrative	11,531	11,848	22,470	22,320
Total stock-based compensation	\$ 55,111	\$ 53,346	\$ 106,273	\$ 100,623

Comparison of the Three and Six Months Ended July 31, 2024 and 2023

Revenue

	Three Months Ended			
	July 31,		\$ Change	% Change
	2024	2023		
	(dollars in thousands)			
Revenue	\$ 270,039	\$ 261,428	\$ 8,611	3%

The \$8.6 million, or 3%, increase in revenue for the three months ended July 31, 2024 was primarily driven by seat growth in existing customers, continued strong attach rates of our multi-product Suites offerings, particularly Enterprise Plus, and strong growth in Japan. For the three months ended July 31, 2024, our Suites attach rate was 87% in deals over \$100,000, an increase from 78% for the three months ended July 31, 2023. The increase was partially offset by the weakening of foreign currency exchange rates, which negatively impacted our revenue growth rate by 310 basis points, and customers partially churning their deployment with Box.

	Six Months Ended			
	July 31,		\$ Change	% Change
	2024	2023		
	(dollars in thousands)			
Revenue	\$ 534,697	\$ 513,326	\$ 21,371	4%

The \$21.4 million, or 4%, increase in revenue for the six months ended July 31, 2024 was primarily driven by seat growth in existing customers, continued strong attach rates of our multi-product Suites offerings, particularly Enterprise Plus, and strong growth in Japan. The increase was partially offset by the weakening of foreign currency exchange rates, which negatively impacted our revenue growth rate by 290 basis points, and customers partially churning their deployment with Box.

Cost of Revenue

	Three Months Ended			
	July 31,		\$ Change	% Change
	2024	2023		
	(dollars in thousands)			
Cost of revenue	\$ 55,513	\$ 67,013	\$ (11,500)	-17%
Percentage of revenue	21%	26%		
Gross margin	79.4%	74.4%		

The \$11.5 million, or 17%, decrease in cost of revenue for the three months ended July 31, 2024 was primarily due to decreases of \$6.0 million in bandwidth and data center related expense and \$6.0 million in depreciation expense due to the completion of our migration to the public cloud from our collocated data centers. Additionally, there was an increase of \$2.6 million in gains related to the sale of data center assets and a decrease of \$1.7 million in employee related costs driven by a 5% decrease in headcount. This decrease was partially offset by an increase of \$5.2 million in public cloud infrastructure costs, driven by our migration to the public cloud from our collocated data centers. Cost of revenue as a percentage of revenue decreased 500 basis points year-over-year.

	Six Months Ended			
	July 31,		\$ Change	% Change
	2024	2023		
	(dollars in thousands)			
Cost of revenue	\$ 113,765	\$ 128,664	\$ (14,899)	-12%
Percentage of revenue	21%	25%		
Gross margin	78.7%	74.9%		

The \$14.9 million, or 12%, decrease in cost of revenue for the six months ended July 31, 2024 was primarily due to decreases of \$13.0 million in depreciation expense and \$7.7 million in bandwidth and data center related expense due to the completion of our migration to the public cloud from our collocated data centers. Additionally, there was a decrease of \$3.1 million in employee related costs driven by a 5% decrease in headcount, an increase of \$2.5 million in gains related to the sale of data center assets, and a decrease of \$1.3 million in amortization expense associated with acquired technology and capitalized internally developed software. This decrease was partially offset by an increase of \$13.1 million in public cloud infrastructure costs, driven by our migration to the public cloud from our collocated data centers. Cost of revenue as a percentage of revenue decreased 400 basis points year-over-year.

Over time, we expect our cost of revenue to increase in absolute dollars but decrease as a percentage of revenue as we invest in public cloud hosting service optimization.

Research and Development

	Three Months Ended July 31,		\$ Change	% Change
	2024	2023		
	(dollars in thousands)			
Research and development	\$ 65,445	\$ 63,316	\$ 2,129	3%
Percentage of revenue	24%	24%		

The \$2.1 million, or 3%, increase for the three months ended July 31, 2024 was primarily due to increases of \$2.8 million and \$1.7 million in employee related costs and stock-based compensation expense, respectively, driven by a 12% increase in headcount. The increased employee headcount and related costs are driven by the growth in lower cost regions. This increase was partially offset by an increase of \$2.4 million in capitalized internally developed software costs. Research and development expenses as a percentage of revenue remained flat year-over-year.

	Six Months Ended July 31,		\$ Change	% Change
	2024	2023		
	(dollars in thousands)			
Research and development	\$ 128,118	\$ 125,834	\$ 2,284	2%
Percentage of revenue	24%	25%		

The \$2.3 million, or 2%, increase for the six months ended July 31, 2024 was primarily due to increases of \$3.8 million and \$3.1 million in employee related costs and stock-based compensation expense, respectively, driven by a 12% increase in headcount. The increased employee headcount and related costs are driven by the growth in lower cost regions. This increase was partially offset by an increase of \$4.7 million in capitalized internally developed software costs. Research and development expenses as a percentage of revenue decreased 100 basis points year-over-year.

We expect our research and development expenses to increase in absolute dollars but decrease as a percentage of revenue over time as we continue to make significant improvements to our product offerings and services and increase research and development in lower cost regions.

Sales and Marketing

	Three Months Ended July 31,		\$ Change	% Change
	2024	2023		
	(dollars in thousands)			
Sales and marketing	\$ 95,235	\$ 88,605	\$ 6,630	7%
Percentage of revenue	35%	34%		

The \$6.6 million, or 7%, increase for the three months ended July 31, 2024 was primarily due to an increase of \$2.8 million in marketing expenses, driven by increased costs related to marketing events. Additionally, there were increases of \$1.6 million and \$1.5 million in stock-based compensation expense and employee related costs, respectively, driven by a 4% increase in headcount, and \$0.4 million in consulting services costs. Sales and marketing expenses as a percentage of revenue increased 100 basis points year-over-year.

	Six Months Ended July 31,		\$ Change	% Change
	2024	2023		
	(dollars in thousands)			
Sales and marketing	\$ 187,908	\$ 174,815	\$ 13,093	7%
Percentage of revenue	35%	34%		

The \$13.1 million, or 7%, increase for the six months ended July 31, 2024 was primarily due to an increase of \$5.1 million in marketing expenses, driven by increased costs related to marketing events. Additionally, there were increases of \$4.0 million and \$2.2

million in stock-based compensation expense and employee related costs, respectively, driven by a 4% increase in headcount, and \$1.1 million in office related costs. Sales and marketing expenses as a percentage of revenue increased 100 basis points year-over-year.

We expect to continue to invest in capturing our large market opportunity globally and capitalize on our competitive position with a continued focus on our profitability objectives. We expect our sales and marketing expenses to increase in absolute dollars but decrease as a percentage of revenue over time as our existing customer base grows and a relatively higher percentage of our revenue is attributable to renewals versus new or expanding Box deployments and as we continue to focus on improving sales productivity.

General and Administrative

	Three Months Ended July 31,			
	2024	2023	\$ Change	% Change
	(dollars in thousands)			
General and administrative	\$ 33,566	\$ 32,619	\$ 947	3%
Percentage of revenue	12%	12%		

The \$0.9 million, or 3%, increase for the three months ended July 31, 2024 was primarily due to an increase of \$1.2 million in employee related costs, driven by a 6% increase in headcount, partially offset by an increase of \$0.4 million in capitalized software costs. General and administrative expense as a percentage of revenue remained flat year-over-year.

	Six Months Ended July 31,			
	2024	2023	\$ Change	% Change
	(dollars in thousands)			
General and administrative	\$ 66,619	\$ 65,803	\$ 816	1%
Percentage of revenue	12%	13%		

The \$0.8 million, or 1%, increase for the six months ended July 31, 2024 was primarily due to an increase of \$2.0 million in employee related costs, driven by a 6% increase in headcount, partially offset by a decrease of \$1.2 million in subscription software contract expense. General and administrative expense as a percentage of revenue decreased 100 basis points year-over-year.

We expect our general and administrative expenses to increase in absolute dollars but decrease as a percentage of revenue over time as we benefit from greater operational scale and efficiency.

Interest and Other Income, Net

	Three Months Ended July 31,			
	2024	2023	\$ Change	% Change
	(dollars in thousands)			
Interest and other income, net	\$ 4,699	\$ 3,293	\$ 1,406	43%

The \$1.4 million increase for the three months ended July 31, 2024 was primarily due to an increase of \$0.7 million in foreign currency gains and an increase of \$0.6 million in interest income from our certificates of deposit, money market funds, and short-term investments due to a higher interest rate environment and higher cash and short-term investment balances.

	Six Months Ended July 31,			
	2024	2023	\$ Change	% Change
	(dollars in thousands)			
Interest and other income, net	\$ 8,557	\$ 5,611	\$ 2,946	53%

The \$2.9 million increase for the six months ended July 31, 2024 was primarily due to an increase of \$1.7 million in interest income from our certificates of deposit, money market funds, and short-term investments due to a higher interest rate environment and higher cash and short-term investment balances, a decrease of \$0.8 million in foreign currency losses, and a decrease of \$0.6 million in interest expense related to our finance leases.

Provision for Income Taxes

	Three Months Ended			
	July 31,		\$ Change	% Change
	2024	2023		
	(dollars in thousands)			
Provision for income taxes	\$ 4,483	\$ 2,377	\$ 2,106	89%

The \$2.1 million, or 89%, increase for the three months ended July 31, 2024 was primarily due to an increase of \$1.2 million in foreign non-cash deferred tax expense as a result of the release of the valuation allowance on our U.K. deferred tax assets in the fourth quarter of fiscal year 2024 and \$0.9 million in higher foreign tax expenses as a result of increased profitability.

	Six Months Ended			
	July 31,		\$ Change	% Change
	2024	2023		
	(dollars in thousands)			
Provision for income taxes	\$ 9,126	\$ 4,680	\$ 4,446	95%

The \$4.4 million, or 95%, increase for the six months ended July 31, 2024 was primarily due to an increase of \$3.5 million in foreign non-cash deferred tax expense as a result of the release of the valuation allowance on our U.K. deferred tax assets in the fourth quarter of fiscal year 2024 and \$1.1 million in higher foreign tax expenses as a result of increased profitability.

Liquidity and Capital Resources

As of July 31, 2024, we had cash and cash equivalents, restricted cash, and short-term investments of \$483.3 million. During the six months ended July 31, 2024, we generated operating cash flow of \$167.5 million. Since our inception, we have financed our operations primarily through equity financing, cash generated from operations and debt financing. We believe our existing cash, cash equivalents, and short-term investments, together with our credit facility, will be sufficient to meet our working capital and capital expenditure needs for at least the next 12 months and beyond. Our long-term capital requirements will depend on many factors including our growth rate, subscription renewal activity, billing frequency, public cloud obligations, repayment or refinancing of our debt obligations, settlement of our convertible senior notes and convertible preferred stock, the timing and extent of spending to support development efforts, the expansion of international activities, the introduction of new and enhanced service offerings, and the continuing market acceptance of our services. We may in the future enter into arrangements to acquire or invest in complementary businesses, services and technologies, including intellectual property rights. We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all.

Cash Flows

For the six months ended July 31, 2024 and 2023, our cash flows were as follows (in thousands):

	Six Months Ended	
	2024	2023
Net cash provided by operating activities	\$ 167,502	\$ 157,606
Net cash provided by (used in) investing activities	15,648	(25,059)
Net cash used in financing activities	(157,102)	(160,057)

Operating Activities

For the six months ended July 31, 2024, cash provided by operating activities was \$167.5 million. The primary factors affecting our operating cash flow during this period were our net income of \$37.7 million, stock-based compensation of \$106.3 million, amortization of deferred commissions of \$26.5 million, and depreciation and amortization of our property and equipment, capitalized software, and intangible assets of \$10.0 million. Cash provided by operating activities during the six months ended July 31, 2024 was further adjusted by net cash outflows of \$15.4 million due to changes in our operating assets and liabilities.

The primary drivers for the changes in operating assets and liabilities include a \$82.5 million decrease in deferred revenue from revenue recognition, partially offset by billings, a \$19.3 million increase in deferred commissions resulting from capitalization of incremental commissions paid to our sales force, a \$15.3 million decrease in operating lease liabilities due to recurring lease payments, and a \$14.4 million decrease in accounts payable, accrued expenses and other liabilities primarily due to payments made in

the period. These cash outflows were partially offset by a \$103.3 million decrease in accounts receivables primarily due to timing of our cash collections and a \$13.4 million decrease in operating right-of-use assets due to amortization.

Investing Activities

Cash provided by investing activities of \$15.6 million for the six months ended July 31, 2024 was primarily driven by \$79.5 million in maturities and sales of short-term investments and \$6.0 million in proceeds from sales of property, partially offset by \$56.5 million in purchases of short-term investments, \$11.7 million in capitalized internally developed software costs, and \$1.7 million of fixed asset purchases.

Financing Activities

Cash used in financing activities of \$157.1 million for the six months ended July 31, 2024 was primarily driven by \$138.7 million in repurchases of our common stock, \$37.8 million of employee payroll taxes paid related to net share settlement of stock awards, \$7.5 million of dividend payments to preferred stockholders, and \$2.1 million of principal payments of finance lease liabilities. This was partially offset by \$15.7 million from issuances of common stock under our employee equity plans and \$15.4 million proceeds from exercise of stock options.

Debt

In January 2021, we issued \$345.0 million aggregate principal amount of 0.00% convertible senior notes due January 15, 2026. The Convertible Notes are senior unsecured obligations and do not bear regular interest. Each \$1,000 principal amount of the Convertible Notes is convertible into 38.7962 shares of our Class A common stock, which is equivalent to a conversion price of approximately \$25.78 per share, subject to adjustment upon the occurrence of specified events. We have made an irrevocable election to settle the principal portion of the Convertible Notes only in cash. Accordingly, upon conversion, we will pay the principal in cash and we will pay or deliver, as the case may be, the conversion premium in cash, shares of common stock or a combination of cash and shares of common stock, at our election.

In June 2023, we entered into an amended and restated secured credit agreement to provide for a \$150.0 million revolving loan facility with a \$45.0 million sublimit for the issuance of letters of credit. Refer to Note 6 in Part I, Item 1. Financial Statements for a detailed description of the June 2023 Facility.

Series A Convertible Preferred Stock

On April 7, 2021, we entered into an investment agreement with KKR and certain other investors relating to the issuance and sale of 500,000 shares of our Series A Convertible Preferred Stock, par value of \$0.0001 per share, for an aggregate purchase price of \$500 million, or \$1,000 per share. Refer to Note 7 in Part I, Item 1. Financial Statements for a detailed description of our Series A Convertible Preferred Stock.

Share Repurchase Plan

Our Board of Directors has authorized a share repurchase plan to opportunistically repurchase shares of our outstanding Class A common stock in open market transactions. During the three months ended July 31, 2024, we repurchased 3.9 million shares at a weighted average price of \$26.25 per share for a total amount of \$101.9 million. During the six months ended July 31, 2024, we repurchased 5.3 million shares at a weighted average price of \$26.48 per share for a total amount of \$139.1 million. As of July 31, 2024, \$24.6 million remained authorized and available for additional repurchases.

On August 25, 2024, our Board of Directors authorized an expansion of the share repurchase plan. Under this expansion, an additional \$100 million of our Class A common stock may be repurchased in open market transactions through August 25, 2025.

Off-Balance Sheet Arrangements

Through July 31, 2024, we did not have any relationships with unconsolidated entities that have, or are reasonably likely to have, a material effect on our financial statements.

Contractual Obligations and Commitments

Our principal commitments consist of (i) obligations under operating leases for office spaces, (ii) purchase obligations not recognized on the condensed consolidated balance sheet as of July 31, 2024, which relate primarily to public cloud hosting services and IT software and support services, and (iii) debt, including obligations under both our June 2023 Facility and Convertible Notes. For more information regarding our obligations for leases, purchase agreements, and debt, refer to Notes 4, 5, and 6, respectively, in Part I, Item 1. Financial Statements.

Critical Accounting Estimates

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

There have been no material changes to our critical accounting estimates during the six months ended July 31, 2024 from those disclosed in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended January 31, 2024.

Recent Accounting Pronouncements

Refer to Part I, Item 1. Financial Statements—Note 1 for information regarding the effect of new accounting pronouncements on our financial statements.

Non-GAAP Financial Measures

Regulation S-K Item 10(e), "Use of Non-GAAP Financial Measures in Commission Filings," defines and prescribes the conditions for use of non-GAAP financial information. Our measure of non-GAAP free cash flow (as defined above) meets the definition of a non-GAAP financial measure.

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

Non-GAAP Free Cash Flow

We define non-GAAP free cash flow as cash flows from operating activities less purchases of property and equipment, principal payments of finance lease liabilities, capitalized internally developed software costs, and other items that did not or are not expected to require cash settlement and that management considers to be outside of our core business. We specifically identify other adjusting items in our reconciliation of GAAP to non-GAAP financial measures. We consider non-GAAP free cash flow to be a profitability and liquidity measure that provides useful information to management and investors about the amount of cash generated by the business that can possibly be used for investing in our business and strengthening the balance sheet; but it is not intended to represent the residual cash flow available for discretionary expenditures. The presentation of non-GAAP free cash flow is also not meant to be considered in isolation or as an alternative to cash flows from operating activities as a measure of liquidity.

Limitations on the use of non-GAAP financial measures

A limitation of our non-GAAP financial measures is that they do not have uniform definitions. Our definitions will likely differ from the definitions used by other companies, including peer companies, and therefore comparability may be limited. Thus, our non-GAAP financial measures should be considered in addition to, not as a substitute for, or in isolation from, measures prepared in accordance with GAAP.

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

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We had cash and cash equivalents, restricted cash, and short-term investments of \$483.3 million as of July 31, 2024. Our cash and cash equivalents and short-term investments primarily consist of overnight cash deposits, money market funds, U.S. treasury securities, certificates of deposit and non-U.S. government issued securities. We do not expect our operating results or cash flows to be materially affected by a sudden change in market interest rates and we do not enter into investments for trading or speculative purposes.

Interest rate risk also reflects our exposure to movements in interest rates associated with the June 2023 Facility. As of July 31, 2024, we had total debt outstanding with a gross carrying amount of \$30.0 million which approximates fair value. The revolving loans accrue interest at a SOFR rate plus a margin ranging from 1.45% to 1.95%.

Effective September 5, 2019, we entered into a swap agreement with Wells Fargo Bank, National Association (the "Swap Agreement") in order to minimize our interest rate risk exposure due to the volatility of the London Interbank Offered Rate (LIBOR). Effective June 5, 2023, we amended the terms of the Swap Agreement to update our borrowing benchmark from LIBOR to SOFR, in line with our June 2023 Facility. Under the Swap Agreement, we have hedged a portion of the variable interest payments of our debt by effectively fixing our interest payments over the five-year term of the agreement. As of July 31, 2024, our interest rate swap had a notional value of \$30.0 million.

A hypothetical change in interest rates of 100 basis points after July 31, 2024 would not have a material impact on the combined net fair value of our outstanding debt and Swap Agreement.

Foreign Currency Risk

Approximately one-third of our revenue is represented by customer contracts denominated in foreign currencies, which include the Japanese Yen, Euro, and British Pound. As our foreign operations continue to grow, specifically in Japan, we have increasing exposure to fluctuations in foreign currency exchange rates.

These fluctuations can result in fluctuations in our total assets, liabilities, revenues, operating expenses and cash flows that we report for our foreign subsidiaries upon translation of these amounts into U.S. dollars. For the three and six months ended July 31, 2024, total revenue was unfavorably impacted by approximately 310 basis points and 290 basis points, respectively, compared to the corresponding prior period. For the three and six months ended July 31, 2024, total operating expenses were favorably impacted by approximately 30 and 10 basis points, respectively, compared to corresponding prior periods.

Additionally, our international subsidiaries maintain certain asset and liability balances as well as operating expenses that are denominated in foreign currencies other than the functional currency and as a result, may cause us to recognize transaction gains and losses in our statement of operations impacting our operating expenses which are recognized in interest and other income, net on our condensed consolidated statements of operations. For all periods presented, foreign currency exchange gains and losses were not material.

To mitigate risks associated with fluctuations in foreign currency exchange rates, we have entered into foreign currency derivative contracts to hedge a portion of our net outstanding monetary assets and liabilities. These derivative contracts are intended to offset gains or losses related to remeasuring monetary assets and liabilities that are denominated in currencies other than the functional currency of the entities in which they are recorded.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Refer to Note 5 in Part I, Item 1 of this Quarterly Report on Form 10-Q under the subheading “Legal Matters,” which is incorporated herein by reference.

Item 1A. RISK FACTORS

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

Risk Factors Summary

Our business is subject to a number of risks and uncertainties, including those risks discussed at length below. These risks include, among others, the following:

- If we do not compete effectively, our customers do not renew their subscriptions or expand their use of our services, we are unable to attract new customers at rates that are consistent with our expectations, or if the market for cloud-based enterprise services declines or develops more slowly than we expect, our business could be adversely affected.
- Because we recognize revenue from subscriptions for our services over the term of the subscription, downturns or upturns in new business may not be immediately reflected in our operating results.
- Adverse economic conditions have in the past and may in the future result in reduced sales, longer sales cycles, reduced renewal rates, slower adoption of new technologies and increased price competition, any of which could negatively impact our business.
- As a substantial portion of our sales efforts are increasingly focused on cloud content management use cases and are targeted at enterprise and highly-regulated customers, our sales cycles may become longer and more expensive and we may encounter greater pricing pressure and implementation and customization challenges, all of which could harm our business and operating results.
- Issues relating to the use of artificial intelligence and machine learning could adversely affect our business and operating results.
- If we fail to meet the service level commitments we provide under our subscription agreements, we could be obligated to provide credits or refunds for prepaid amounts related to unused subscription services or face subscription terminations, which could adversely affect our revenue. Furthermore, any failure in our delivery of high-quality customer support services may adversely affect our relationships with our customers and our financial results.
- Our international operations expose us to significant risks, including the impact of fluctuations in currency exchange rates.
- Actual or perceived security vulnerabilities in our services or any breaches of our security controls and unauthorized access to our or a customer’s data could harm our business and operating results.
- Privacy concerns and laws or other domestic or foreign regulations may reduce the effectiveness of our services and harm our business, and we may not be able to satisfy data protection, security, privacy, and other government- and industry-specific requirements, which may harm our growth.
- Our platform must integrate with a variety of operating systems, software applications and technologies that are developed by others, and if we are unable to ensure that our solutions interoperate with such systems, applications and technologies, our service may become less competitive, and our operating results may be harmed.
- If we fail to effectively manage our technical operations infrastructure or suffer from interruptions or delays in service from our third-party providers, the delivery of our services may be harmed, which may adversely affect our business.

- Our services are becoming increasingly mission-critical for our customers and if these services fail to perform properly or if we are unable to scale our services to meet the needs of our customers, our reputation could be adversely affected, our market share could decline and we could be subject to liability claims.
- Our growth depends in part on the success of our strategic relationships with third parties.
- We depend on our key employees and other highly skilled personnel to grow and operate our business, and if we are unable to hire, retain and motivate our personnel, including expanding and optimizing our direct sales force, we may not be able to grow effectively.
- We may be sued by third parties for alleged infringement of their proprietary rights.
- Any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and brand.
- Our Series A Convertible Preferred Stock has rights, preferences and privileges that are not held by, and are preferential to the rights of, our Class A common stockholders, which could adversely affect our liquidity and financial condition.

Risks Related to Our Business and Our Industry

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

The market for cloud content management services is fragmented, rapidly evolving and highly competitive, with relatively low barriers to entry for certain applications and services. Many of our competitors and potential competitors are larger and have greater brand recognition, longer operating histories, and significantly greater resources than we do. Our primary competitors in the enterprise content management market include Microsoft (SharePoint) and OpenText (Documentum). In the enterprise file sync and share market, our primary competitors include Microsoft (OneDrive), Google (Drive) and, to a lesser extent, Dropbox. We also compete with companies in the e-signature, content collaboration, workflow automation, artificial intelligence, and security and governance markets. With the introduction of new technologies and market entrants, we expect competition to intensify in the future and our primary competitors may change. For example, disruptive technologies such as generative AI may fundamentally alter the market for our services in unpredictable ways, including reduced customer demand and increased costs of doing business. If we fail to compete effectively, our business will be harmed. Some of our competitors offer their products or services at lower prices or for free as part of a broader bundled product sale or enterprise license arrangement, which has placed pricing pressure on our business. If we are unable to achieve our target pricing levels, our operating results will be negatively impacted. For us to compete effectively, we need to introduce new products and services in a timely and cost-effective manner, meet customer expectations and needs at prices that customers are willing to pay, and continue to enhance the features and functionalities of our cloud content management platform. In addition, pricing pressures and increased competition could result in reduced sales, lower margins, losses or the failure of our services to achieve or maintain widespread market acceptance, any of which could harm our business.

Many of our competitors are able to devote greater resources to the development, promotion and sale of their products or services. In addition, many of our competitors have established marketing relationships and major distribution agreements with channel partners, consultants, system integrators and resellers. Competitors may offer products or services at lower prices or with greater depth than our services. Our competitors may be able to respond more quickly and effectively to new or changing opportunities, technologies, standards or customer requirements. Furthermore, some potential customers, particularly large enterprises, may elect to develop their own internal solutions. For any of these reasons, we may not be able to compete successfully against our competitors.

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

To improve our operating results, it is important that our customers renew their subscriptions with us when their existing subscription term expires. We cannot assure you that customers will renew their subscriptions upon expiration at the same or higher level of service, for the same number of seats or for the same duration of time, if at all. Our net retention rate has fluctuated from period to period and it may decrease again in the future if our customers do not renew their subscriptions with us or decrease their use of our services. Our net retention rate was approximately 102% and 103% as of July 31, 2024 and 2023, respectively.

Our net retention rate may decline or fluctuate as a result of a number of factors, including our customers' satisfaction with our services, the effectiveness of our customer support services, the performance of our partners and resellers, our pricing, the prices of competing products or services, mergers and acquisitions affecting our customer base, our ability to successfully integrate new or acquired technology into our products, our ability to execute on our product roadmap, our customers' budgets and spending levels, and the effects of global economic conditions, especially if challenging macroeconomic conditions continue. If our customers do not renew their subscriptions, renew them on less favorable terms, purchase fewer seats, or fail to purchase new product offerings, our revenue may decline, and we may not realize improved operating results from our customer base.

In addition, our business growth depends in part on our customers expanding their use of our services. The use of our cloud content management platform often expands within an organization as new users are added or as additional services are purchased by or for other departments within an organization. Further, as we have introduced new services throughout our operating history, our existing customers have constituted a significant portion of the users of such services, including our recent Box AI offerings. If our customers do not expand their use of our services, our operating results may be adversely affected.

If the market for cloud-based enterprise services declines or develops more slowly than we expect, our business could be adversely affected.

Since we derive, and expect to continue to derive, substantially all of our revenue and cash flows from sales of our cloud content management solutions, our success will depend to a substantial extent on the widespread adoption of cloud computing in general and of cloud-based content management services in particular. Many organizations have invested substantial personnel and financial resources to integrate traditional enterprise software into their organizations and may be reluctant or unwilling to migrate to a cloud-based model for managing their content. It is difficult to predict customer adoption rates and demand for our services, the future growth rate and size of the cloud computing market or the entry of competitive services. The expansion of the cloud content management market depends on a number of factors, including the cost, performance and perceived value associated with cloud computing, as well as the ability of companies that provide cloud-based services to address security and privacy concerns. If there is a reduction in demand for cloud-based services, it could result in decreased revenue, harm our growth rates, and adversely affect our business and operating results.

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

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

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

To improve our operating results and continue growing our business, it is important that we continue to attract new customers and expand deployment of our solutions and products with existing customers. To the extent we are successful in increasing our customer base, we could incur increased losses because costs associated with new customers are generally incurred up front, while revenue is recognized ratably over the term of our subscription services. Alternatively, to the extent we are unsuccessful in increasing our customer base, we could also incur increased losses as costs associated with marketing programs and new products intended to attract new customers would not be offset by incremental revenue and cash flow. Changes in economic conditions may financially impact our existing and prospective customers and cause them to delay or reduce their technology spending, which may adversely affect our ability to attract new customers. For example, our business continues to be impacted by pressure from customers' lower headcount growth and greater budget scrutiny on IT decisions. All of these factors could negatively impact our future revenue and operating results.

Adverse economic conditions have in the past and may in the future result in reduced sales, longer sales cycles, reduced renewal rates, slower adoption of new technologies and increased price competition, any of which could negatively impact our business.

Our business depends on the overall demand for cloud content management services and on the economic health of our current and prospective customers. The United States and other key international economies have experienced cyclical downturns from time to time that have resulted in a significant weakening of the economy, more limited availability of credit, a reduction in business confidence and activity, and other difficulties that may affect the industries to which we sell our services. An economic downturn, recession, or uncertainty about economic conditions, including volatility in the credit, equity and foreign exchange markets, inflation, rising interest rates, potential United States (U.S.) sovereign default, bank failures and financial instability, ongoing supply chain disruptions, unemployment trends, the adverse effects of pandemics and geopolitical issues, such as the Hamas-Israel and Russia-Ukraine conflicts, could cause customers to delay or reduce their information technology spending. This has in the past and may in the future result in reduced sales, longer sales cycles, reduced renewal rates, slower adoption of new technologies, and increased price competition. Any of these events would likely have an adverse effect on our business, operating results and financial position. We continue to face challenges from customers scrutinizing deals more closely due to the economic environment. In addition, there can be no assurance that enterprise content management and collaboration spending levels will increase following any recovery.

If we are not able to successfully launch new products and services or provide enhancements or new features to our existing products and services, our business could be adversely affected.

Our industry is marked by rapid technological developments and new and enhanced applications and services. If we are unable to enhance our existing services or offer new services that achieve market acceptance or keep pace with rapid technological developments, our business could be adversely affected. The success of any new services or enhancements to our existing services, such as Box AI and Box Hubs, depends on several factors, including their timely completion, introduction and market acceptance. We also may experience business or economic disruptions that could adversely affect the productivity of our employees and result in delays in our product development process. We maintain a hybrid workforce (with a mix of employees working from offices and others working remotely), which may lead to disruptions and decreased productivity that could result in delays in our product development process. Failure in this regard may significantly impair our revenue growth and our future financial results. Our product development efforts could also be impacted by our workforce location strategy as we hire an increasing number of our employees in countries such as Poland and the Netherlands. In addition, because our services are designed to operate on a variety of systems, we must continuously modify and enhance our services to keep pace with changes in internet-related hardware, mobile operating systems, and other software, communication, browser and database technologies. We may not be successful in developing these modifications and enhancements or bringing them to market in a timely fashion, which may negatively impact our customer renewal rates, limit the market for our solutions, or impair our ability to attract new customers. Furthermore, modifications to existing platforms or technologies will increase our research and development expenses. Any failure of our services to operate effectively with existing or future network platforms and technologies could reduce the demand for our services, result in customer dissatisfaction and adversely affect our business.

Issues relating to the use of artificial intelligence and machine learning could adversely affect our business and operating results.

Issues relating to the use of new and evolving technologies such as generative AI powered by large language models and machine learning that we integrate into our product offerings may cause us to experience brand or reputational harm, competitive harm, legal liability, new or enhanced governmental or regulatory scrutiny, and to incur additional costs to resolve such issues. As with many innovations, AI presents risks and challenges that could undermine or slow its adoption, and therefore harm our business. For example, perceived or actual technical, legal, compliance, privacy, security, ethical or other issues relating to the use of AI may cause public confidence in AI to be undermined, which could slow our customers' adoption of our products and services that use AI. In addition, litigation or government regulation related to the use of AI may also adversely impact our and others' abilities to develop and offer products that use AI, as well as increase the cost and complexity of doing so. For example, the European Parliament adopted legislation, the EU AI Act on March 13, 2024, that imposes significant obligations related to the use of AI systems and is anticipated to be augmented by secondary legislation in the European Union. Additionally, on October 30, 2023, President Biden issued a robust Executive Order on AI ("EO 14110") with the goal of promoting safe, secure, and trustworthy development and use of AI. EO 14110 may ultimately create certain de facto standards and practices given the size and influence of the U.S. government as a customer to major tech companies, like Box. Furthermore, in the U.S. Senate, committees of jurisdiction passed several AI bills that establish additional industry standards and further impose significant obligations in relation to the use of AI systems. On the state level, several U.S. states have considered AI legislation, including California, which aims to reduce risk associated with the use of AI; while certain states have passed comprehensive AI legislation, such as the Colorado AI Act, which will go into effect in February 2026. Developing, testing, and deploying third-party AI systems may also increase the cost profile of our product offerings due to the nature of the computing costs involved in such systems, which could impact our margins and adversely affect our business and operating results. Our business may be disrupted if any of the third-party AI services we use become unavailable due to extended outages or interruptions or because they are no longer available on commercially reasonable terms or prices. Further, market demand and acceptance of AI technologies are uncertain, and we may be unsuccessful in our product development efforts.

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

We sell to government customers, which can be highly competitive, often requiring significant upfront time and expense without any assurance that these efforts will generate a sale. Government certification requirements may change, or we may lose one or more government certifications, and in doing so restrict our ability to sell into the government sector or maintain existing government customers until we attain revised certifications. Government demand and payment for our products and services are affected by public sector budgetary cycles and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our solutions. Moreover, an extended federal government shutdown resulting from budgetary decisions, a prolonged continuing resolution, breach of the federal debt ceiling, or potential U.S. sovereign default may limit or delay federal government spending on our solutions and adversely affect our revenue. Government entities may also have statutory, contractual or other legal rights to terminate contracts with us for convenience or due to a default, and any such termination may adversely affect our future operating results.

As our sales efforts are increasingly focused on cloud content management use cases and are targeted at enterprise and highly-regulated customers, our sales cycles may become longer and more expensive, and we may encounter greater pricing pressure and implementation and customization challenges, all of which could harm our business and operating results.

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

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

Our customer subscription agreements provide service level commitments. If we are unable to meet our service level commitments or suffer periods of downtime that exceed the periods allowed under our subscription agreements, we may be obligated to provide customers with service credits, which could significantly impact our revenue in the period in which the downtime occurs and the credits could be due. We have experienced, and may in the future experience, disruptions, outages, and other performance or quality problems with our platform and with the public cloud and internet infrastructure on which our platform relies. We have encountered issues in the past that have caused Box services to be temporarily unavailable that resulted in our issuing service credits to some of our customers, and we cannot assure you that we will not experience interruptions or delays in our service in the future. We could also face subscription terminations, which could significantly impact our current and future revenue. Any extended or frequent service outages could also adversely affect our reputation, which would also impact our future revenue and operating results.

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

We are in the process of expanding our international operations, which exposes us to significant risks.

A key element of our growth strategy is to expand our international operations and develop a worldwide customer base. In addition, we have opened, and may continue to open, international offices and hire employees to work at these offices in order to gain access to additional talent. For example, in 2020, we established an office in Warsaw, Poland and, in 2021, we acquired SignRequest B.V., a company located in the Netherlands. We have continued to increase our headcount in these countries as we migrate a larger portion of our development to lower cost regions. We are currently committed to our presence in these countries and have entered into a long-term operating lease in Poland to support our growth. Operating in international markets requires significant resources and management attention and will subject us to regulatory, economic, geographic, social, and political risks that differ from those in the United States. Because of our limited experience with international operations and significant differences between international and U.S. markets, we may not succeed in creating demand for our services outside of the United States or in effectively selling our services in all of the international markets we enter. In addition, we will face challenges in doing business internationally that could adversely affect our business, including:

- the need to localize and adapt our services for specific countries, including translation into foreign languages and associated expenses;
- laws (and changes to such laws) relating to privacy, data protection and data transfer that, among other things, could require that customer data be stored and processed in a designated territory;
- difficulties in staffing and managing foreign operations especially in new markets with diverse cultures, languages, customs and legal systems;
- different pricing environments, longer sales cycles and longer accounts receivable payment cycles and collections issues;
- differing labor regulations, especially in Europe, where labor laws are generally more advantageous to employees as compared to the United States;
- new and different sources of competition;
- weaker protection for intellectual property and other legal rights than in the United States and practical difficulties in enforcing intellectual property and other rights outside of the United States;
- laws and business practices favoring local competitors, including economic tariffs;
- changes in the geopolitical environment, the perception of doing business with U.S. based companies, and changes in regulatory requirements that impact our operating strategies, access to global markets or hiring;
- compliance challenges related to the complexity of multiple, conflicting and changing governmental laws and regulations, including employment, tax, AI, privacy and data protection laws and regulations;
- increased financial accounting and reporting burdens and complexities;
- currency exchange rate fluctuations;
- restrictions on the transfer of funds;
- reliance on third-party resellers and other parties;
- adverse tax consequences; and
- unstable regional, economic, social and political conditions, such as the Hamas-Israel and Russia-Ukraine conflicts.

We are exposed to fluctuations in currency exchange rates, which could adversely affect our operating results or financial position.

We sell our services and incur operating expenses in various currencies. Therefore, fluctuations in the relative value of the U.S. dollar and foreign currencies, particularly the Japanese Yen, and to a lesser extent, the British pound and the Euro, may impact our operating results. For example, the Japanese Yen has experienced a decline in value vis-à-vis the U.S. dollar, which negatively affected our results of operations during the year ended January 31, 2024 and the six months ended July 31, 2024 and could continue to negatively impact our results of operations in future periods. We currently primarily manage our exchange rate risk by maintaining offsetting foreign currency assets and liabilities and by minimizing non-U.S. dollar cash balances, and we have begun implementing hedging programs in fiscal year 2025 to further mitigate the risk of exchange rate fluctuations. Such practices may not ultimately be available and/or effective at mitigating the foreign currency risk to which we are exposed. If we are unsuccessful in detecting material exposures in a timely manner, any hedging strategies we deploy are not effective, or there are no hedging strategies available for certain exposures that are prudent given the associated risks and the potential mitigation of the underlying exposure achieved, our operating results or financial position could be negatively affected in the future.

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

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

We have a history of cumulative losses, and we may not be able to sustain profitable growth.

We generated net income of \$129.0 million and \$26.8 million during the years ended January 31, 2024 and 2023, respectively, and incurred a net loss of \$41.5 million during the year ended January 31, 2022. We generated net income of \$37.7 million in the six months ended July 31, 2024. As of July 31, 2024, we had an accumulated deficit of \$1.2 billion. The accumulated deficit reflect the substantial investments we made to acquire new customers and develop our services. We intend to continue scaling our business to increase our number of users and paying organizations and to meet the increasingly complex needs of our customers and may incur additional expenses as we make investments to scale our business. Further, it is difficult to predict the size and growth rate of our market, customer demand for our platform and for any new features or products we develop, and the success of competitive products or services. As a result, we may not sustain profitable growth in future periods.

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

Our quarterly operating results may vary significantly in the future, and period-to-period comparisons of our operating results may not be meaningful. Accordingly, the results of any one quarter should not be relied upon as an indication of future performance. Our quarterly financial results may fluctuate as a result of a variety of factors, and as a result, may not fully reflect the underlying performance of our business. Factors that may cause fluctuations in our quarterly financial results include, but are not limited to:

- our ability to attract and retain new customers;
- our ability to convert users of our limited free version to paying customers;
- the addition or loss of large customers, including through acquisitions or consolidations;
- changes in our net retention rate;
- the timing of revenue recognition;
- the timing and amount of contract renewals;
- the impact on billings of customer shifts between payment frequencies;
- the timing of cash collections and payments and its impact on cash flows;
- the amount and timing of operating expenses related to the maintenance and expansion of our business, operations and infrastructure;
- network or service outages, internet disruptions, disruptions to the availability of our service, or actual or perceived security breaches, incidents and vulnerabilities;
- general economic, industry and market conditions, including those caused by the Hamas-Israel and Russia-Ukraine conflicts, and as a result of inflation, rising interest rates, or bank failures and financial instability;
- changes in our go-to-market strategies and/or pricing policies and/or those of our competitors;
- seasonal variations in our billings results and sales of our services, which have historically been highest in the fourth quarter of our fiscal year;
- the timing and success of new services and product introductions by us and our competitors or any other change in the competitive dynamics of our industry, including consolidation or new entrants among competitors, customers or strategic partners;
- changes in usage or adoption rates of content management services;

- the success of our strategic partnerships, including the performance of our resellers; and
- the timing of expenses related to the development or acquisition of technologies or businesses and potential future charges for impairment of goodwill from acquired companies.

Risks Related to Data Privacy and Data Security

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

The services we offer involve the storage of large amounts of our and our customers' sensitive and proprietary information, some of which may be considered personally identifiable. Cyberattacks and other malicious internet-based activity, including ransomware, malware and viruses, continue to increase in frequency and magnitude and we face security threats from malicious third parties that could obtain unauthorized access to, or disrupt, our systems, infrastructure and networks. These threats may come from a variety of sources including nation-state sponsored espionage and hacking activities, industrial espionage, organized crime, sophisticated organizations, hacking groups and individuals and insider threats. These sources can also implement social engineering techniques, such as "phishing," "smishing" or "vishing" attacks, to induce our partners, users, employees or customers to disclose passwords or other sensitive information or take other actions to gain access to our data or our users' data. Hackers that acquire user account information at other companies can attempt to use that information to compromise the accounts of our personnel, or our users' accounts if an account shares the same sensitive information such as passwords. As we increase our customer base, our brand becomes more widely known and recognized, and our service is used in more heavily regulated industries where there may be a greater concentration of sensitive and protected data, such as healthcare, government, life sciences, and financial services, we have become more of a target for these malicious third parties.

In addition, because Box is configured by administrators and users to select their default settings, the third-party integrations they enable, and their privacy and permissions settings, an administrator or user could intentionally or inadvertently configure settings to share their sensitive data. For example, a Box user can choose to share the content they store in Box with third parties by creating a link that can be customized to be accessible by anyone with the link. While this feature is designed to be used for a variety of legitimate use cases in which a user wishes to share non-sensitive content with a broad or public audience, if a user were to intentionally or inadvertently configure a setting that allowed public access to their sensitive data, that data could be discovered and accessed by an unintended third party. We have also incorporated AI technologies into certain product offerings, and may continue to incorporate additional AI technologies into our product offerings, and to otherwise use AI technologies within our business, in the future. Our use of AI technologies may create additional cybersecurity risks or increase cybersecurity risks, including risks of security breaches and incidents. Further, AI technologies may be used in connection with certain cybersecurity attacks, resulting in heightened risks of security breaches and incidents.

We cannot guarantee that any security measures that we or third parties on which we rely have implemented will be completely effective against current or future security threats, or that our systems and networks or those of such third parties have not been breached or otherwise compromised, or that they and any software in our or their supply chains do not contain bugs, vulnerabilities, or compromised code that could result in a breach of or disruption to our systems and networks or the systems and networks of third parties that support us or our products or services. Given that our customers manage significant amounts of sensitive and proprietary information on our platform, and many of our customers are in heavily regulated industries where there may be a greater concentration of sensitive and proprietary data, our reputation and market position are particularly sensitive to impacts from actual or perceived security breaches or incidents, security vulnerabilities, or concerns regarding security. If our security measures or those of third parties on which we rely are or are believed to be inadequate or breached or otherwise compromised as a result of third-party action, employee negligence, error or malfeasance, product defects, social engineering techniques, improper user configuration or otherwise, and this results in, or is believed to result in, unauthorized access to or disclosure, modification, misuse, loss, corruption, unavailability, or destruction of our data or our customers' data, or any other disruption of the confidentiality, integrity or availability of our data or our customers' data, we could incur significant liability to various parties, including our customers and individuals or organizations whose information is stored by our customers, and our business, reputation or competitive position may be harmed. Techniques used to obtain unauthorized access to, or to sabotage, systems or networks, are constantly evolving and generally are not recognized until launched against a target. Therefore, we may be unable to anticipate these techniques, react in a timely manner, or implement adequate preventive measures, and we may face delays in our detection or remediation of, or other responses to, security breaches and other security-related incidents or vulnerabilities. We have observed increased levels of sophistication in the types of techniques, including social engineering techniques, that malicious third parties may use in an attempt to gain access to our or our users' data. Due to the Hamas-Israel and Russia-Ukraine conflicts, or other areas of geopolitical tension around the world, we and the third parties on which we rely are vulnerable to a heightened risk of cybersecurity attacks, social engineering attacks, viruses, malware, ransomware, hacking or similar breaches and incidents from nation-state and affiliated actors, including attacks that could materially disrupt our supply chain and our systems, operations and platform. Additionally, many of our personnel and personnel of the third parties on which we rely work remotely at least part of the time, which imposes additional risks to our business, including

increased risk of industrial espionage, theft of assets, phishing, and other cybersecurity attacks, and inadvertent or unauthorized access to or dissemination of sensitive, proprietary, or confidential information. We also expect to incur significant costs in our ongoing efforts to detect and prevent security breaches and other security-related incidents, and in the event of actual or perceived security breaches or other security-related incidents. Additionally, our service providers and other third parties on which we rely may suffer, or be perceived to suffer, data security breaches or other incidents that may compromise data stored or processed for us that may give rise to any of the foregoing.

Our customer contracts often include (i) specific obligations that we maintain the availability of the customer's data through our service and that we secure customer content against unauthorized access or loss, and (ii) provisions whereby we indemnify our customers for third-party claims asserted against them that result from our failure to maintain the availability of their content or securing the same from unauthorized access or loss. While our customer contracts generally contain limitations on our liability in connection with these obligations and indemnities, if an actual or perceived security breach or incident occurs, the market perception of the effectiveness of our security measures could be harmed, we could be subject to indemnity or damage claims in certain customer contracts, and we could lose future sales and customers, any of which could harm our business and operating results. Furthermore, while our errors and omissions insurance policies include liability coverage for certain of these matters, if we experience a security breach or other incident, we could be subject to indemnity claims or other damages that exceed our insurance coverage. We also cannot be certain that our insurance coverage will be adequate for data handling or data security liabilities actually incurred, that insurance will continue to be available to us on economically reasonable terms, or at all, or that any insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, including our financial condition, operating results, and reputation.

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

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

These laws and regulations, which may be enforceable by private parties and/or governmental entities, are constantly evolving and can be subject to significant change. A number of new laws coming into effect and/or proposals pending before federal, state and foreign legislative and regulatory bodies could affect our business. For example, the European Union's General Data Protection Regulation (GDPR), which imposes significant obligations on companies regarding the handling of personal data and penalties for noncompliance of up to the greater of 20 million Euros or four percent of a company's global revenue. Further, local data protection authorities in Europe may adopt regulations and/or guidance more stringent than the GDPR, which may impose additional compliance costs or other burdens that impact our business. Additionally, developments relating to cross-border data transfer may result in the European Commission (EC), European Data Protection Board and/or other regulators applying differing standards for, and requiring ad hoc verification of, transfers of personal data from the European Economic Area (EEA), Switzerland, or the United Kingdom (U.K.) to the U.S. For example, revised standard contractual clauses were published by regulators in EEA, Switzerland and the U.K., which we adopted in our data processing addenda. However, we cannot guarantee that the policies and related measures that we have implemented will ensure compliance due to possible fluctuations in these laws. Moreover, European governments and the U.S. government have cooperated to adopt the EU-U.S. Data Privacy Framework, U.K.-U.S. Data Bridge and Swiss-U.S. Framework (together, the "Data Privacy Framework") replacing the EU-U.S. Privacy Shield Framework. While the Data Privacy Framework could benefit the industry as a whole, and we presently maintain self-certification under the Data Privacy Framework, maintaining compliance with the Data Privacy Framework could result in additional costs. The EU-U.S. Data Privacy Framework also already has faced legal challenges, and more generally, the Data Privacy Framework may be subject to future reviews, and subject to suspension, amendment, repeal, or limitations.

Brexit has created uncertainty around data protection issues and could lead to further legislative and regulatory changes. For example, the U.K. Data Protection Act of 2018 substantially mirrors the EU GDPR in the U.K. and was the subject of statutory amendments that further aligned it with the GDPR in 2019. In June 2021, the EC announced a decision that the U.K. is an "adequate country" to which personal data could be exported from the EEA, but this decision must be renewed and may face challenges in the future, creating uncertainty regarding transfers of personal data to the U.K. from the EEA. It remains unclear how U.K. data protection laws or regulations will develop, and how data transfers to and from the U.K. will be regulated, over time. Additional or modified guidance regarding, or changes to, U.K. cross border data transfers and/or overall U.K. data protection laws and/or guidance could occur, which may require us to change our policies, practices and engage in additional contractual negotiations. Such legislative and regulatory changes may result in increased costs of compliance and limitations on our customers and us.

In 2018, the State of California enacted the California Consumer Privacy Act (CCPA), which became operative on January 1, 2020. The CCPA requires covered companies to, among other things, provide new disclosures to California consumers and afford such consumers new abilities to opt-out of certain sales of personal information. Additionally, the California Privacy Rights Act (CPRA) was approved by California voters in November 2020 and amended and expanded the CCPA. The CPRA's substantive provisions became effective on January 1, 2023, and the newly formed California Privacy Protection Agency began its rulemaking process to adopt proposed regulations, with an enforcement date of March 29, 2024. Our CPRA compliance efforts are subject to change and may result in continued uncertainty and require additional costs and expenses to ensure readiness, compliance and decrease risks. Further, other states have been considering, and in some cases enacting, laws relating to privacy and cybersecurity, many of which are comprehensive privacy statutes imposing obligations similar to the CCPA and CPRA. For example, laws enacted in Virginia, Colorado, Utah, Texas, and Oregon are currently effective, Montana has enacted such legislation that becomes effective on October 1, 2024, and laws enacted in Delaware, Tennessee, Iowa, Indiana, Maryland, Nebraska, New Hampshire, New Jersey, Kentucky, Minnesota, and Rhode Island will become effective between 2025 and 2026. Other U.S. states, including Pennsylvania, Massachusetts, and North Carolina, are anticipated to follow suit. Other states have also enacted privacy laws relating to particular subject matter, such as Washington's enactment of the My Health, My Data Act, which includes a private right of action. Efforts to comply with these laws and related fluctuations in laws relating to privacy and cybersecurity at the federal, state and local levels may impact readiness and compliance, along with the potential to incur additional costs. We cannot fully predict the impact of these laws and other proposed federal and state laws relating to privacy and cybersecurity on our business or operations, but they may require us to modify our data processing practices and policies and incur substantial costs and expenses in an effort to comply.

In addition, some countries, such as member states of the EEA are considering or have enacted legislation requiring storage localization and/or the processing of more regulated types of data in region, along with other limitations that could impact U.S. technology companies (e.g., cloud service providers) and more specifically, Box. If we are unable to develop and offer services that meet these obligations or help our customers meet their requirements under the laws, regulations, case law or guidance issued relating to privacy, data protection, or information security, we may become unable to provide services in these regions and/or be subject to significant fines and penalties, which would harm our business.

We also expect laws, regulations, industry standards and other obligations worldwide relating to privacy, data protection, and cybersecurity to continue to evolve, and that there will continue to be new, modified, and re-interpreted laws, regulations, standards, and other obligations in these areas. We cannot yet determine the impact such future laws, regulations and standards, or amendments to or re-interpretations of, existing laws and regulations, industry standards, or other obligations may have on us or our business. Moreover, these existing and proposed laws, regulations, standards, and other actual or asserted obligations can be difficult and costly to comply with, delay or impede the development or adoption of our products and services, reduce the overall demand for our products and services, increase our operating costs, require modifications to our policies, practices, or products or services, require significant management time and attention, and slow the pace at which we close (or prevent us from closing) sales transactions. Additionally, any actual or alleged noncompliance with these laws, regulations, standards, or other actual or asserted obligations could result in negative publicity and subject us to investigations and other proceedings by regulatory authorities, claims, demands, and litigation by private entities, or other requested remedies or demands, including demands that we modify or cease existing business practices, and expose us to significant fines, penalties and other damages and liabilities. In addition to the possibility of fines, proceedings, demands, claims, and litigation, we may find it necessary or appropriate to fundamentally change our business activities and practices, including the establishment of in-region data storage or other data processing operations, or modify or cease offering certain products or services, any of which could have an adverse effect on our business. We may be unable to make such changes and modifications in a commercially reasonable manner or at all, and our ability to develop new offerings and features could be limited.

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

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

There are a number of data protection, security, privacy and other government- and industry-specific requirements, including those that require companies to notify individuals of data security incidents involving certain types of personal data. Security compromises experienced by our competitors, by our customers or by us may lead to public disclosures, which could harm our reputation, erode customer confidence in the effectiveness of our security measures, negatively impact our ability to attract new customers, or cause existing customers to elect not to renew their agreements with us. Our customers also expect, and in some instances require, us to meet voluntary certifications or adhere to guidelines or standards established by third parties, to offer particular controls, or otherwise support customer-specific requirements. Although we currently have certain certifications such as AICPA SOC

1, 2 and 3 reports, and ISO/IEC 27001, 27017, 27018, and 27701 we may not be successful in continuing to maintain these certifications or in obtaining other certifications or otherwise being able to adhere to or comply with all customer requirements. In addition, some of the industries and/or regions that we serve have specific requirements relating to security and regulatory standards, such as GxP, FedRAMP and StateRAMP, and those required by HIPAA, FINRA, HITECH Act, the Data Privacy Framework and Asia-Pacific Economic Cooperation Privacy Recognition for Processors and Cross Border Privacy Rules. As we expand into new industries and regions, we will likely need to comply with these and other new requirements to compete effectively. We may not always be able to support or comply with all of these customer requirements. If we cannot adequately comply with these requirements, our growth could be adversely impacted, we may face a loss of customers or difficulty attracting new customers in impacted industries, and we could incur significant liability and our reputation and business could be significantly harmed. In addition, as regulations in the EU and the U.K. continue to shift, it could impact our ability to comply with and maintain EU and U.K. Processor and Controller Binding Corporate Rules.

Risks Related to Our Technical Operations Infrastructure and Dependence on Third Parties

If we are unable to ensure that our solutions interoperate with operating systems, software applications and technologies developed by others, our service may become less competitive, and our operating results may be harmed.

We offer our services across a variety of operating systems and through the internet. We are dependent on the interoperability of our platform with third-party mobile devices, tablets, desktop and mobile operating systems, as well as web browsers that we do not control. Any changes in such systems, devices or web browsers that degrade the functionality of our services or give preferential treatment to competitive services could adversely affect usage of our services and our ability to deliver high quality services. We may not succeed in developing relationships with key participants in the mobile industry or in developing services that operate effectively with these operating systems, networks, infrastructure, devices, web browsers and standards. In the event that our users experience difficulty accessing and using our services, our user growth may be harmed, and our business and operating results could be adversely affected.

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

We have experienced significant growth in the number of users and the amount of data that our operations infrastructure supports. We need to properly manage our technological operations infrastructure in order to support version control, changes in hardware and software parameters and the evolution of our services. We have experienced, and may in the future experience, website disruptions, incidents of data corruption and loss, service outages and other performance problems. These problems may be caused by a variety of factors, including infrastructure changes, changes to our core services architecture, changes to our infrastructure necessitated by legal and compliance requirements governing the storage and transmission of data, human or software errors, viruses, cybersecurity attacks, fraud, spikes in customer usage, connectivity failures, and other third-party service provider failures and denial of service issues. Additionally, any limitation on the capacity or performance of our third-party cloud computing and hosting providers, including due to technical failures, shifts in product capabilities or licensing models, natural disasters, fraud, or cybersecurity attacks, could impede our ability to fulfill our current contractual commitments or expand our services. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time, which may harm our reputation and operating results. Furthermore, if we encounter any of these problems in the future, our customers may lose access to important data or experience data corruption or service outages that may subject us to financial penalties, other liabilities and customer losses.

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

We currently store and process our customers' information in third-party cloud computing and hosting facilities inside and outside of the United States. As we have recently migrated our storage and processing operations to cloud computing and hosting facilities operated by third parties, our service has become more susceptible to interruptions or delays that are out of our direct control. These third parties are vulnerable to operational and technological disruptions, including from cyber-attacks and security breaches and incidents, which may negatively impact our ability to provide services to our customers and operate our business. Similarly, as part of our disaster recovery arrangements, our production environment and all of our customers' data is typically replicated on third-party storage platforms located inside and outside of the United States. These facilities may be located in areas prone to natural disasters and may experience events such as earthquakes, floods, fires, power loss, telecommunications failures and similar events. They may also be subject to break-ins, sabotage, intentional acts of vandalism, cyber-attacks and similar misconduct, including by state-sponsored or otherwise well-funded actors. Any damage to, or lack of availability or failure of, our systems generally, or those of the third-party cloud computing and hosting providers, could result in interruptions in our service, which may reduce our revenue, cause us to issue credits or pay penalties, cause customers to terminate their subscriptions and adversely affect our renewal rate and our ability to attract

new customers. We may only have limited remedies against third-party providers in the event of any service disruptions. In addition, we may not have adequate insurance coverage to compensate for losses from a major interruption. Our business will also be harmed if our customers and potential customers believe our service is unreliable. Despite precautions taken by these third-party providers, the occurrence of disasters, security issues (including an act of terrorism or an armed conflict), certain geopolitical events, labor or trade disputes, or pandemics, could lead to a decision to close the facilities without adequate notice or other unanticipated problems that result in lengthy interruptions in our service or cause us to not comply with certification requirements. Even with the disaster recovery arrangements, we have never performed a full live failover of our services and, in an actual disaster, we could learn our recovery arrangements are not sufficient to address all possible scenarios and our service could be interrupted for a longer period than expected. We have encountered issues in the past that have caused Box services to be temporarily unavailable that resulted in our issuing service credits to some of our customers, and we cannot assure you that we will not experience interruptions or delays in our service in the future. If third parties are unable to perform services for us because of service interruptions or extended outages, or because those services are no longer available on commercially reasonable terms, our expenses could increase and our customers' use of our products could be impaired until equivalent services, if available, are identified, obtained and implemented, all of which could adversely affect our business.

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

Our services are becoming increasingly mission-critical to our customers' business operations, as well as their ability to comply with legal requirements, regulations, and standards such as GxP, FINRA, HIPAA, FedRAMP and StateRAMP. These services and offerings are inherently complex and may contain material defects or errors that could cause interruptions in the availability of our services, as well as user error, which could result in loss or delayed market acceptance and sales, breach of contract or warranty claims, issuance of sales credits or refunds for prepaid amounts related to unused subscription services, loss of customers, diversion of development and customer service resources, and harm to our reputation. The costs incurred in correcting any material defects or errors might be substantial and could adversely affect our operating results. Further, our errors and omissions insurance may be inadequate or may not be available in the future on acceptable terms, or at all. In addition, our insurance may not cover all claims made against us and defending a lawsuit, regardless of its merit, could be costly and divert management's attention. Because of the large amount of data that we collect and manage, it is possible that hardware failures, software errors, errors in our systems, or by third-party service providers, user errors, or internet outages could result in significant data loss or corruption. Furthermore, the availability or performance of our services could be adversely affected by a number of factors, including customers' inability to access the internet, the failure of our network or software systems, security breaches or variability in customer traffic for our services. We have been, and in the future may be, required to issue credits or refunds for prepaid amounts related to unused services or otherwise be liable to our customers for damages they may incur resulting from some of these events.

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

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

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

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

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

failure of our services, and injure our reputation. Our use of additional or alternative third-party software would require us to enter into additional license agreements with third parties. If we are unable to maintain licenses to software necessary to operate our business, or if third-party software that we use contains errors or defects, our costs may increase, or the services we provide may be harmed, which would adversely affect our business.

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

In order to grow our business, we anticipate that we will continue to depend on our relationships with third parties, such as alliance partners, resellers, distributors, system integrators and developers. For example, we have entered into agreements with partners such as Adobe, Apple, Carahsoft, Cisco, Cloudflare, Guidewire, Google, IBM, Macnica, Microsoft, Mitsui Knowledge Industry, Okta, Oracle-Netsuite, Palo Alto Networks, Salesforce, ServiceNow, Slack, USDM, Zoom and Zscaler to market, resell, or integrate with our services. Identifying partners and resellers, and negotiating and documenting relationships with them, requires significant time and resources.

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

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

In addition, our competitors may be effective in providing incentives to third parties to favor their products or services, or to prevent or reduce subscriptions to our services. In some cases, we also compete directly with our partners' product offerings, and if these partners stop reselling or endorsing our services or impede our ability to integrate our services with their products, our business and operating results could be adversely affected. Moreover, competitor acquisitions of our partners could result in a decrease in the number of current and potential customers, as our partners may no longer facilitate the adoption of our services by potential customers.

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

Our business is subject to the risks of natural disasters, pandemics and other catastrophic events that could disrupt our business operations and our business continuity and disaster recovery plans may not adequately protect us from a serious disaster.

The occurrence of any catastrophic event, including a pandemic, earthquake, fire, flood, tsunami, or other weather event, power loss, telecommunications failure, software or hardware malfunctions, cyber-attack, war, or terrorist attack, could result in lengthy interruptions in our service. Our corporate headquarters is located in the San Francisco Bay Area, a region known for seismic activity. Our insurance coverage may not compensate us for losses that may occur in the event of an earthquake or other significant natural disaster. In addition, pandemics, acts of terrorism or war could cause disruptions to the internet or the economy as a whole, which could have a significant impact on our business and operating results. If our or our partners' business continuity and disaster recovery arrangements prove to be inadequate, our services could be interrupted. Our partners, suppliers, and customers are also subject to the risk of catastrophic events. In those events, our ability to deliver our services in a timely manner, as well as the demand for our services, may be adversely impacted by factors outside our control. If our systems were to fail or be negatively impacted as a result of a natural disaster, pandemic or other catastrophic event, our ability to deliver our services to our customers would be impaired, we could lose critical data, our reputation could suffer and we could be subject to contractual penalties.

In addition, while the long-term effects of climate change on the global economy and the technology industry in particular are unclear, we recognize that there are inherent climate related risks wherever business is conducted. Any of our primary locations may be vulnerable to the adverse effects of climate change. For example, our California corporate offices have historically experienced, and are projected to continue to experience, physical climate change risks, including drought and water scarcity, warmer temperatures, rising sea levels, wildfires and air quality impacts and power shut-offs associated with wildfire prevention. Climate-related events, including the increasing frequency of extreme weather events and their impact on critical infrastructure in the United States and elsewhere, have the potential to disrupt our business, our third-party suppliers, and/or the business of our customers, and may cause us to experience higher attrition, losses and additional costs to maintain and resume operations. Transitional climate change risks may subject us to increased regulations, reporting requirements, standards, or expectations regarding the environmental impacts of our business and untimely or inaccurate disclosure could adversely affect our reputation, business or financial performance.

If we overestimate or underestimate our cloud-based server capacity requirements, our operating results could be adversely affected.

We continuously evaluate our short- and long-term cloud-based server capacity requirements to ensure adequate capacity for new and existing customers while minimizing unnecessary excess capacity costs. If we overestimate the demand for our cloud content management services and therefore secure excess cloud-based server capacity, our operating margins could be reduced. If we underestimate our cloud-based server capacity requirements or if we are unable to meet our contractual minimum commitments, we may not be able to service the expanding needs of customers and may be required to limit new customer acquisition or provide credits or refunds to existing customers, which would impair our revenue growth and harm our operating results. We outsource a substantial majority of our cloud hosting to Google Cloud Platform (GCP), which hosts our products and platform. To the extent we do not effectively address capacity constraints, either through GCP or alternative providers of cloud hosting, or other risks are realized that may result in interruptions, delays and outages in service and availability of our products and/or services, our business and operating results may be adversely affected. Furthermore, regardless of our ability to appropriately manage our cloud-based server capacity requirements, only a small percentage of our customers currently use Box to organize all of their internal files, and an increase in the number of organizations, in particular large businesses and enterprises, that use our service as a larger component of their content storage requirements, could result in lower gross and operating margins or otherwise have an adverse impact on our financial condition and operating results.

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

The future success of our business depends upon the continued use and availability of the internet as a primary medium for commerce, communication and business services. Federal, state or foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws or regulations affecting the use of the internet as a commercial medium. The adoption of any laws or regulations that adversely affect the growth, popularity or use of the internet, including laws or practices limiting internet neutrality, could decrease the demand for, or the usage of, our services, increase our cost of doing business, adversely affect our operating results, and require us to modify our services in order to comply with these changes. In addition, government agencies or private organizations may begin to impose taxes, fees or other charges for accessing the internet or commerce conducted via the internet. These laws or charges could limit the growth of internet-related commerce or communications generally, or result in reductions in the demand for internet-based services such as ours.

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

Risks Related to Employees and Managing Our Growth

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

Our future success depends upon our continued ability to identify, hire, develop, motivate and retain highly skilled personnel, representing diverse backgrounds, experiences, and skill sets, including senior management, engineers, designers, product managers, sales representatives, and customer support representatives. Identifying, recruiting, training and integrating qualified individuals will require significant time, expense and attention. In addition to hiring new employees, we must continue to focus on retaining our best employees, and fostering a diverse and inclusive work environment that enables all of our employees to prosper. Competition for highly skilled personnel is intense, particularly in the San Francisco Bay Area, where our headquarters is located. We may need to invest significant amounts of cash and equity to attract new employees and retain existing employees, and we may never realize returns on these investments. Moreover, our ability to attract and hire personnel may be materially adversely affected by changes to immigration laws or the availability of work visas. Furthermore, as some of our employees work remotely from geographic areas across the globe and more of our employees work remotely on a permanent basis, we may need to reallocate our investment of resources and closely monitor a variety of local regulations and requirements, and we may experience unpredictability in our expenses and employee work culture. If we are not able to effectively add and retain employees, or if our employees do not perform to the standards we expect of them, our ability to achieve our strategic objectives will be adversely impacted, and our business will be harmed.

Our success is also dependent upon contributions from our executive officers and other key employees and, in particular, Aaron Levie, our co-founder and Chief Executive Officer. In addition, occasionally, there may be changes in our senior management team that could disrupt our business. For example, in November 2023, Olivia Nottebohm joined us as our Chief Operating Officer. The loss of one or more of our executive officers or key employees, or the failure of our senior management team to work together effectively and execute our plans and strategies, could harm our business.

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

We will need to continue to optimize our sales infrastructure in order to grow our customer base and business. As a result of weakened economic conditions, we have significantly curtailed our employees' business-related travel, which may negatively impact our ability to recruit and train our sales force. Our business may be adversely affected if our efforts to expand and train our direct sales force do not generate a corresponding increase in revenue. If we are unable to hire, develop and retain talented sales personnel or if new direct sales personnel are unable to achieve desired productivity levels in a reasonable period of time, we may not realize the intended benefits of this investment or increase our revenue.

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

Any acquisitions and investments we make could disrupt our business and harm our financial condition and operating results.

We have acquired, and may in the future acquire, other companies, employee teams, or technologies to complement or expand our services and grow our business. For example, in December 2023, we acquired Crooze Corporation, a provider of no-code enterprise content management applications built on the Box platform, and in August 2024, we acquired the intelligent document processing technology of Alphamoon. We may not be able to successfully complete or integrate identified acquisitions. Moreover, we may not successfully evaluate or utilize the acquired technology or personnel, or accurately forecast the financial impact of an acquisition. The risks we face in connection with acquisitions include:

- diversion of management time and focus from operating our business to addressing acquisition integration challenges;
- coordination of research and development and sales and marketing functions;
- retention of key employees from the acquired company;
- cultural challenges associated with integrating employees from the acquired company into our organization;
- integration of the acquired company's technology and products into our business, particularly if the acquired company's software and services are not easily adapted to work with our products;

- integration of the acquired company’s accounting, management information, human resources and other administrative systems, as well as the acquired operations, and any unanticipated expenses related to such integration;
- the need to implement or improve controls, procedures, and policies at a business that prior to the acquisition may have lacked effective controls, procedures and policies;
- liability for activities of the acquired company before the acquisition, including intellectual property infringement claims, violations of laws, commercial disputes, tax liabilities and other known and unknown liabilities;
- completing the transaction and achieving the anticipated benefits of the acquisition within the expected timeframe or at all;
- unanticipated write-offs, expenses, charges or risks associated with the transaction;
- litigation or other claims in connection with the acquired company, including claims from terminated employees, customers, former stockholders or other third parties, which may differ from or be more significant than the risks our business faces; and
- acquisitions could result in dilutive issuances of equity securities or the incurrence of debt.

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

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

We believe that our culture has been and will continue to be a key contributor to our success. We expect to continue to hire additional employees as we expand our business. As our organization expands globally and as employees’ workplace expectations develop, we may find it increasingly difficult to maintain the beneficial aspects of our corporate culture globally. These difficulties may be further amplified by our decision to maintain a hybrid workforce. If we do not continue to develop our company culture or maintain our core values as we grow and evolve both in the United States and abroad, we may be unable to foster the innovation, creativity and teamwork we believe we need to support our growth.

Risks Related to Our Intellectual Property

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

There is considerable patent and other intellectual property development activity in our industry. Our success depends on developing or licensing our own intellectual property and not infringing upon the valid intellectual property rights of others. Our competitors, as well as a number of other entities, including non-practicing entities, and individuals, may own or claim to own intellectual property relating to our industry.

From time to time, third parties have claimed, and in the future may claim, that we are infringing upon their intellectual property rights, and we may be found to be infringing upon such rights. We may be unaware of the intellectual property rights that others may claim cover some or all of our technology or services. Additionally, the intellectual property rights surrounding AI technologies have not been fully addressed by U.S. courts or other federal or state laws or regulations, and the use or adoption of AI technologies in our products and services may expose us to copyright infringement or other intellectual property misappropriation claims. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, prevent us from offering our services, or require that we comply with other unfavorable terms. We may also be obligated to indemnify our customers or business partners or pay substantial settlement costs, including royalty payments, in connection with any such claim or litigation and to obtain licenses, modify services, or refund fees, which could be costly. Even if we were to prevail in such a dispute, any litigation regarding our intellectual property could be costly and time consuming and divert the attention of our management and key personnel from our business operations. During the course of any litigation, we may make announcements regarding the results of hearings and motions, and other interim developments. If securities analysts or investors regard these announcements as negative, the market price of our Class A common stock may decline.

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

Our success and ability to compete depend in part on our intellectual property. We primarily rely on copyright, patent, trade secret and trademark laws, trade secret protection and confidentiality or license agreements with our employees, customers, partners and others to protect our intellectual property rights. However, the steps we take to protect our intellectual property rights may be inadequate. We may not be able to obtain any further patents, and our pending applications may not lead to the issuance of patents. We may also have to expend significant resources to obtain additional patents as we expand our international operations.

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

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

We use open source software in our services and will use open source software in the future. In addition, we regularly contribute software source code to open source projects under open source licenses or release internal software projects under open source licenses, and anticipate doing so in the future. The terms of many open source licenses to which we are subject have not been interpreted by U.S. or foreign courts, and there is a risk that open source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to provide or distribute our services. Additionally, from time to time third parties may claim ownership of, or demand release of, the open source software or derivative works that we developed using such software, which could include our proprietary source code, or otherwise seek to enforce the terms of the applicable open source license. These claims could result in litigation and could require us to make our software source code freely available, purchase a costly license or cease offering the implicated services unless and until we can re-engineer them to avoid infringement. This re-engineering process could require significant additional research and development resources, and we may not be able to complete it successfully. In addition to risks related to license requirements, use of certain open source software can lead to greater risks than use of third-party commercial software, as open source code may contain bugs or other defects and open source licensors generally do not provide warranties or controls on the functionality or origin of software. Additionally, because any software source code we contribute to open source projects is publicly available, our ability to protect our intellectual property rights with respect to such software source code may be limited or lost entirely, and we cannot prevent our competitors or others from using such contributed software source code. Any of these risks could be difficult to eliminate or manage and could have a negative effect on our business, financial condition and operating results.

Risks Related to Our Financial Position and Need for Additional Capital

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

On occasion, we may need additional financing for a variety of reasons, including servicing our liabilities, operating or growing our business, responding to business opportunities, undertaking acquisitions, funding stock repurchases, satisfying our dividend or share redemption obligations of our Series A Convertible Preferred Stock, or repaying our 0.00% convertible senior notes due January 15, 2026 (the “Convertible Notes”).

For example, in January 2021, we issued \$345.0 million aggregate principal amount of Convertible Notes, which we have irrevocably elected to settle in cash upon maturity. Additionally, in May 2021, we issued and sold 500,000 shares of our Series A Convertible Preferred Stock for an aggregate purchase price of \$500 million. Our ability to refinance or obtain additional financing, if and when required, will depend on investor and lender demand, our operating performance, the condition of the capital markets and other factors. We cannot guarantee that additional financing will be available to us on favorable terms when required, or at all. If we raise additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences or privileges senior to the rights of our Class A common stock, and our existing stockholders may experience dilution. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support the operation or growth of our business could be significantly impaired and our operating results may be harmed. Rising interest rates may reduce our access to equity-linked or debt capital and increase our cost of borrowings, which could adversely impact our business, operating results and financial position.

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

Our senior credit facility contains certain operating and financial restrictions and covenants that may restrict our and our subsidiaries' ability to, among other things, incur indebtedness, grant liens on our assets, make loans or investments, consummate certain merger and consolidation transactions, dispose of assets, incur contractual obligations and commitments and enter into affiliate transactions, subject in each case to customary exceptions. We are also required to comply with a maximum senior secured leverage ratio, a maximum total leverage ratio and a minimum interest coverage ratio. These restrictions and covenants, as well as those contained in any future financing agreements that we may enter into, may restrict our ability to finance our operations, engage in, expand or otherwise pursue our business activities and strategies. Our ability to comply with these covenants may be affected by events beyond our control, and breaches of these covenants could result in a default under the senior credit facility and any future financial agreements that we may enter into and under other arrangements containing cross-default provisions. If not waived, defaults could cause our outstanding indebtedness under our senior credit facility and any future financing agreements that we may enter into to become immediately due and payable, and permit our lenders to terminate their lending commitments and to foreclose upon any collateral securing such indebtedness.

Risks Related to Financial, Accounting, Tax and Other Legal Matters

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

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, the Sarbanes-Oxley Act and the listing standards of the New York Stock Exchange (NYSE). We have expended, and anticipate that we will continue to expend, significant resources to comply with these rules and regulations.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures, and internal control over financial reporting. Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business, including increased complexity resulting from our international expansion. Further, weaknesses in our disclosure controls or our internal control over financial reporting may be discovered in the future. Additionally, to the extent that we acquire other businesses, the acquired company may not have a sufficiently robust system of internal controls and we may uncover new deficiencies. Any failure to develop or maintain effective controls, or any difficulties encountered in their implementation or improvement, could harm our operating results or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting could also adversely affect the results of management reports and independent registered public accounting firm audits of our internal control over financial reporting that we are required to include in our periodic reports that we file with the SEC. Ineffective disclosure controls and procedures, and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the market price of our Class A common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the NYSE.

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

Our reported financial results 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 (FASB), the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and could affect the reporting of transactions completed before the announcement of a change. These or other changes in accounting principles could adversely affect our financial results. Any difficulties in implementing these pronouncements could cause us to fail to meet our financial reporting obligations, which could result in regulatory discipline and harm investors' confidence in us.

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

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

Our future effective tax rates and results from operations could be unfavorably affected by changes in the tax rates in jurisdictions where our income is earned, by changes to limitations on our utilization of net operating losses, or by changes in the tax rules and regulations in the jurisdictions in which we do business. For example, the Tax Cuts and Jobs Act of 2017 eliminated the option to deduct research and development expenditures currently and instead required taxpayers to capitalize and amortize them over five or fifteen years beginning in our fiscal year 2023. The Inflation Reduction Act of 2022 also imposed a 1% excise tax on certain repurchases of stock and a 15% alternative minimum tax on adjusted financial statement income.

Further, in 2021, the Organization for Economic Cooperation and Development (OECD) introduced a framework, referred to as Pillar Two, which contemplates a global minimum effective tax rate of 15%. In December 31, 2023, Pillar Two was implemented by the Council of the European Union and its member states. Similar directives under Pillar Two are already adopted or expected to be adopted by taxing authorities in other countries where we do business, including the U.K. We have evaluated the impact of Pillar Two to our financial position and concluded it to be not material. We will continue to monitor developments to Pillar Two in countries where we do business. These enactments or amendments could adversely affect our tax rate and ultimately result in a negative impact on our operating results and cash flows.

In addition, existing tax laws, statutes, rules, regulations or ordinances could be interpreted or applied adversely to us, possibly with retroactive effect, which could require us or our customers to pay additional tax amounts, as well as require us or our customers to pay fines or penalties, as well as interest for past amounts. For example, we are subject to examination regarding our interpretation of tax laws by domestic and foreign tax authorities. If the taxing authorities do not agree with our interpretations, or if we become subject to an adverse tax assessment, we may incur significant liabilities and/or be required to change our practices going forward. Further, to the extent it is determined that our customers should have paid certain taxes, and if we are unsuccessful in collecting such taxes due from our customers, we could be held liable for such costs and/or interest and penalties, thereby adversely impacting our operating results and cash flows.

We may be subject to additional tax liabilities resulting from changes in our provision for income taxes or an adverse tax ruling.

Judgment is required in determining our worldwide provision for income taxes. These determinations are highly complex and require detailed analysis of the available information and applicable statutes and regulatory materials. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different from our historical tax practices, provisions and accruals. If we receive an adverse ruling as a result of an audit, or we unilaterally determine that we have misinterpreted provisions of the tax regulations to which we are subject, there could be a material effect on our tax provision, net loss or cash flows in the period or periods for which that determination is made. In addition, liabilities associated with taxes are often subject to an extended or indefinite statute of limitations period. Therefore, we may be subject to additional tax liability (including penalties and interest) for a particular year for extended periods of time.

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

As of January 31, 2024, we had U.S. federal net operating loss carryforwards of approximately \$400.9 million, state net operating loss carryforwards of approximately \$520.7 million, and foreign net operating loss carryforwards of approximately \$298.1 million. Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (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 tax attributes, such as research tax credits, to offset its post-change income and taxes may be limited. In general, an “ownership change” occurs if there is a cumulative change in our ownership by “5% shareholders” that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws. If we experience ownership changes as a result of future transactions in our stock, then we may be further limited in our ability to use our net operating loss carryforwards and other tax assets to reduce taxes owed on the net taxable income that we earn. Any such limitations on the ability to use our net operating loss carryforwards and other tax assets could adversely impact our business, financial condition and operating results.

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

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

Although we take precautions to prevent our services from being provided in violation of such laws, our solutions may have been in the past, and could in the future be, provided inadvertently in violation of such laws, despite the precautions we take. If we fail to comply with these laws, we and our employees could be subject to civil or criminal penalties, including the possible loss of export privileges, monetary penalties, and, in extreme cases, imprisonment of responsible employees for knowing and willful violations of these laws. We may also be adversely affected through penalties, reputational harm, loss of access to certain markets, or otherwise.

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

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

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

Risks Related to Ownership of Our Class A Common Stock

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

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

- authorizing a classified board of directors whose members serve staggered three-year terms;
- authorizing "blank check" preferred stock, which could be issued by our Board of Directors without stockholder approval and may contain voting, liquidation, dividend and other rights superior to our Class A common stock;
- limiting the liability of, and providing indemnification to, our directors and officers;
- limiting the ability of our stockholders to call and bring business before special meetings;

- requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our Board of Directors; and
- controlling the procedures for the conduct and scheduling of board directors and stockholder meetings.

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

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

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

Our 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 of 1933, as amended, each of which could limit our stockholders' ability to choose the judicial forum for disputes with us or our directors, officers, stockholders or employees.

Our 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, stockholders, officers or other employees to us or our stockholders, (3) any action arising pursuant to any provision of the Delaware General Corporation Law, our certificate of incorporation or our 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, another State court in Delaware or the federal district court for the District of Delaware), except for any claim as to which such court determines that there is an indispensable party not subject to the jurisdiction of such court (and the indispensable party does not consent to the personal jurisdiction of such court within ten days following such determination), which is vested in the exclusive jurisdiction of a court or forum other than such court or for which such court does not have subject matter jurisdiction. This provision would not apply to any action brought to enforce a duty or liability created by the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

Section 22 of the Securities Act of 1933 establishes concurrent jurisdiction for federal and state courts over Securities Act claims. Accordingly, both state and federal courts have jurisdiction to hear such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our bylaws also provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States will be the sole and exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act against any person in connection with an offering of our securities.

Any person or entity purchasing or otherwise acquiring or holding or owning (or continuing to hold or own) any interest in any of our securities shall be deemed to have notice of and consented to the foregoing bylaw provisions. Although we believe these exclusive forum provisions benefit us by providing increased consistency in the application of Delaware law and federal securities laws in the types of lawsuits to which each applies, the 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 current or former directors, officers, stockholders or other employees, which may discourage such lawsuits against us and our current and former directors, officers, stockholders and other employees. Our stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder as a result of our exclusive forum provisions.

Further, the enforceability of similar exclusive forum provisions in other companies' organizational documents have been challenged in legal proceedings, and it is possible that a court of law could rule that these types of provisions are inapplicable or unenforceable if they are challenged in a proceeding or otherwise. If a court were to find either exclusive forum provision contained in our bylaws to be inapplicable or unenforceable in an action, we may incur significant additional costs associated with resolving such action in other jurisdictions, all of which could harm our results of operations.

We cannot guarantee that our stock repurchase program will be fully implemented or that it will enhance long-term stockholder value.

We repurchase shares of our Class A common stock in open market transactions from time to time pursuant to publicly announced stock repurchase program approved by our Board of Directors. During fiscal year 2024, we repurchased 6.6 million shares for a total amount of \$177.0 million and during fiscal year 2023, we repurchased 10.2 million shares for a total amount of \$266.7 million. For the six months ended July 31, 2024, we repurchased 5.3 million shares for a total amount of \$139.1 million. Any share repurchases remain subject to the circumstances in place at that time, including prevailing market prices, and we are not obligated to repurchase a specified number or dollar value of shares. As a result, there can be no guarantee around the timing or volume of our share repurchases. In addition, as part of the Inflation Reduction Act signed into law in August 2022, the United States implemented a 1% excise tax on the value of certain stock repurchases by publicly traded companies. This tax could increase the costs to us of any share repurchases. The stock repurchase program could affect the price of our Class A common stock, increase volatility and diminish our cash reserves. Our repurchase program may be suspended or terminated at any time and, even if fully implemented, may not enhance long-term stockholder value.

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

The market price of our Class A common stock has been and may continue to be subject to wide fluctuations in response to various factors, some of which are beyond our control and may not be related to our operating performance. In addition to the factors discussed in this “Risk Factors” section and elsewhere in this Quarterly Report on Form 10-Q, factors that could cause fluctuations in the market price of our Class A common stock include the following:

- price and volume fluctuations in the overall stock market from time to time;
- volatility in the market prices and trading volumes of technology or other public company stocks;
- changes in operating performance and stock market valuations of other technology companies generally or those in our industry in particular;
- general economic conditions and slow or negative growth of our markets;
- purchases and sales of shares of our Class A common stock by us or our stockholders;
- whether our results of operations meet the expectations of securities analysts or investors and changes in actual or future expectations of investors or securities analysts;
- the financial projections we may provide to the public, any changes in those projections or our failure to meet those projections;
- announcements by us or our competitors of new products or services;
- the public’s reaction to our press releases, other public announcements and filings with the SEC;
- rumors and market speculation involving us or other companies in our industry;
- actual or anticipated changes in our operating results or fluctuations in our operating results;
- actual or anticipated developments in our business, our competitors’ businesses or the competitive landscape generally;
- litigation involving us, our industry or both, or investigations by regulators into our operations or those of our competitors;
- developments or disputes concerning our intellectual property or other proprietary rights;
- announced or completed acquisitions of businesses or technologies by us or our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- network or service outages, internet disruptions, the availability of our service, security breaches or perceived security breaches and vulnerabilities;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- actions instituted by activist shareholders or others, and our response to such actions;
- any significant change in our management;

- fluctuations in foreign currency exchange rates; and
- catastrophic events, including pandemics, earthquakes, fires, floods, tsunamis or other weather events, power loss, telecommunications failures, software or hardware malfunctions, cyber-attacks, wars, or terrorist attacks.

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. Any future securities litigation could result in substantial costs and a diversion of our management's attention and resources.

Servicing our existing and future debt may require a significant amount of cash, and we may not have sufficient cash flow from our business to settle conversions of our Convertible Notes in cash, repay the Convertible Notes at maturity, or repurchase the Convertible Notes as required following a fundamental change.

In January 2021, we issued \$345.0 million aggregate principal amount of Convertible Notes. Prior to October 15, 2025, the Convertible Notes are convertible at the option of the holders only under certain conditions or upon occurrence of certain events as described in Note 9, Part II, Item 8 of our Annual Report on Form 10-K for the year ended January 31, 2024. We have made an irrevocable election to settle the principal of the Convertible Notes in cash upon any conversion of the Convertible Notes. As a result, if holders of the Convertible Notes elect to convert their Convertible Notes, we will be required to make cash payments in respect of the Convertible Notes being converted. Holders of the Convertible Notes also have the right to require us to repurchase all or a portion of their Convertible Notes upon the occurrence of a fundamental change (as defined in the indenture governing the Convertible Notes) at a repurchase price equal to 100% of the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid special interest, if any. If the Convertible Notes have not previously been converted or repurchased, we will be required to repay the outstanding principal amount of the Convertible Notes, plus accrued and unpaid special interest, if any, in cash at maturity. The Convertible Notes are scheduled to mature on January 15, 2026.

Our ability to make required cash payments in connection with conversions of the Convertible Notes, repurchase the Convertible Notes in the event of a fundamental change, or to repay or refinance the Convertible Notes will depend on market conditions and our past and expected future performance, which is subject to economic, financial, competitive, and other factors beyond our control. We also may not use the cash proceeds we raised through the issuance of the Convertible Notes in an optimally productive and profitable manner. Since inception, our business has generated net losses, and while we were profitable in fiscal year 2024, we may continue to incur significant losses in the future. As a result, we may not have enough available cash or be able to obtain financing, or financing at acceptable terms, at the time we are required to repurchase or repay the Convertible Notes or pay cash with respect to Convertible Notes being converted.

In addition, our ability to repurchase or pay cash upon conversion or at maturity of the Convertible Notes may be limited by law or regulatory authority. Our failure to repurchase Convertible Notes following a fundamental change or to pay cash upon conversion or at maturity of the Convertible Notes as required by the indenture would constitute a default under such indenture. A default under the indenture or the fundamental change itself could also lead to a default under our senior credit facility, our other outstanding indebtedness, or agreements governing our future indebtedness and could have a material adverse effect on our business, results of operations, and financial condition. If the payment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the Convertible Notes or to pay cash upon conversion or at maturity of the Convertible Notes.

Furthermore, if any of the conditions to the convertibility of the Convertible Notes are satisfied, then we may be required under applicable accounting standards to reclassify the carrying value of the Convertible Notes to current, rather than long-term. This reclassification could materially reduce our reported working capital.

The capped call transactions we entered into in connection with the issuance of the Convertible Notes may affect the value of our Class A common stock.

In connection with the issuance of the Convertible Notes, we entered into capped call transactions with various counterparties (the "Capped Calls"). The Capped Calls cover, subject to customary adjustments, the number of shares of our Class A common stock initially underlying the Convertible Notes. The Capped Calls are expected generally to reduce or offset the potential dilution to our Class A common stock upon any conversion of the Convertible Notes with such reduction or offset, as the case may be, subject to a cap based on the cap price.

From time to time, the counterparties to the Capped Calls or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our Class A common stock and/or purchasing or selling our Class A common stock or other securities of ours in secondary market transactions prior to the maturity of the Convertible Notes. This activity could also cause or prevent an increase or a decrease in the market price of our Class A common stock or the Convertible Notes.

We are subject to counterparty risk with respect to the Capped Calls.

The counterparties to the Capped Calls that we entered into are financial institutions, and we will be subject to the risk that one or more of the counterparties may default or otherwise fail to perform, or may exercise certain rights to terminate, their obligations under the Capped Calls. Our exposure to the credit risk of the counterparties will not be secured by any collateral.

Global economic conditions have in the past resulted in the actual or perceived failure or financial difficulties of many financial institutions. If a counterparty to one or more Capped Calls becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at the time under such transaction. Our exposure will depend on many factors but, generally, our exposure will increase if the market price or the volatility of our Class A common stock increases. In addition, upon a default or other failure to perform, or a termination of obligations, by a counterparty, the counterparty may fail to deliver the consideration required to be delivered to us under the Capped Calls and we may experience more dilution than we currently anticipate with respect to our Class A common stock. We can provide no assurances as to the financial stability or viability of the counterparties.

The holders of Series A Convertible Preferred Stock are entitled to vote on an as-converted to Class A common stock basis and have rights to approve certain actions. Additionally, KKR may exercise influence over us through their ability to designate a member of our Board of Directors.

In May 2021, we issued 500,000 shares of our Series A Convertible Preferred Stock to a group of investors led by KKR & Co. Inc. (“KKR,” and such group of investors, the “Investors”). The holders of our Series A Convertible Preferred Stock are generally entitled to vote with the holders of our Class A common stock on all matters submitted for a vote of holders of shares of Class A common stock (voting together with the holders of shares of Class A common stock as one class) on an as-converted basis.

Pursuant to that certain Investment Agreement dated April 7, 2021, by and among Box, Inc. and Powell Investors III L.P., KKR-Milton Credit Holdings L.P., KKR-NYC Credit C L.P., Tailored Opportunistic Credit Fund, and CPS Holdings (US) L.P. (the “Investment Agreement”), KKR has the right to designate one candidate for nomination for election to our Board of Directors for so long as KKR and its permitted transferees maintain minimum aggregate holdings of our stock as described in further detail in the Investment Agreement. Notwithstanding the fact that all directors are subject to fiduciary duties to us and to applicable law, the interests of the KKR director designee may differ from the interests of our security holders as a whole or of our other directors.

Additionally, the consent of the holders of a majority of the outstanding shares of Series A Convertible Preferred Stock is required in order for us to take certain actions, including issuances of securities that are senior to, or equal in priority with, the Series A Convertible Preferred Stock, and payments of special dividends in excess of an agreed upon amount.

As a result, the holders of Series A Convertible Preferred Stock may in the future have the ability to influence the outcome of certain matters affecting our governance and capitalization.

The issuance of shares of our Series A Convertible Preferred Stock reduces the relative voting power of holders of our Class A common stock, and the conversion of those shares into shares of our Class A common stock would dilute the ownership of Class A common stockholders and may adversely affect the market price of our Class A common stock.

The holders of our Series A Convertible Preferred Stock are entitled to vote, on an as-converted basis, together with holders of our Class A common stock on all matters submitted to a vote of the holders of our Class A common stock, which reduces the relative voting power of the holders of our Class A common stock. In addition, the conversion of our Series A Convertible Preferred Stock into Class A common stock would dilute the ownership interest of existing holders of our Class A common stock, and any conversion of the Series A Convertible Preferred Stock would increase the number of shares of our Class A common stock available for public trading, which could adversely affect prevailing market prices of our Class A common stock.

Our Series A Convertible Preferred Stock has rights, preferences and privileges that are not held by, and are preferential to the rights of, our Class A common stockholders, which could adversely affect our liquidity and financial condition.

The holders of our Series A Convertible Preferred Stock have the right to receive a payment on account of the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of our business before any payment may be made to holders of any other class or series of capital stock. In addition, dividends on the Series A Convertible Preferred Stock accrue and are cumulative at the rate of 3.0% per annum, compounding quarterly, and paid-in-kind or paid in cash, at our election.

The holders of our Series A Convertible Preferred Stock also have certain redemption rights, including the right to require us to repurchase all or any portion of the Series A Convertible Preferred Stock at any time following the seventh anniversary of the original issuance date, at 100% of the liquidation preference thereof plus all accrued but unpaid dividends. In addition, upon prior written notice of certain change of control events, the shares of the Series A Convertible Preferred Stock will automatically be redeemed by us for a repurchase price equal to the stock at the then-current conversion price and (ii) an amount in cash equal to 100% of the then-current liquidation preference thereof plus all accrued but unpaid dividends. In the case of clause (ii) above, we will also be required to pay the holders of our Series A Convertible Preferred Stock a “make-whole” premium consisting of dividends that would have otherwise accrued from the effective date of such change of control through the fifth anniversary of the original issuance date.

These dividend and share repurchase obligations could impact our liquidity and reduce the amount of cash flows available for working capital, capital expenditures, growth opportunities, acquisitions, and other general corporate purposes. Our obligations to the holders of our Series A Convertible Preferred Stock could also limit our ability to obtain additional financing, which could have an adverse effect on our financial condition. The preferential rights could also result in divergent interests between the holders of our Series A Convertible Preferred Stock and holders of our Class A common stock.

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

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

We do not expect to declare any dividends to holders of our Class A common stock in the foreseeable future.

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

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Share repurchase activity during the three months ended July 31, 2024 was as follows (in thousands, except per share data):

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs ⁽¹⁾
May 1, 2024 to May 31, 2024	2,115	\$ 26.41	2,115	\$ 70,584
June 1, 2024 to June 30, 2024	917	\$ 25.82	917	\$ 46,889
July 1, 2024 to July 31, 2024	848	\$ 26.33	848	\$ 24,569
Total	3,880		3,880	

- (1) On March 5, 2024, we announced that our Board of Directors authorized the repurchase of an additional \$100 million shares of our Class A Common Stock. During the three months ended July 31, 2024, we repurchased 3.9 million shares at a weighted average price of \$26.25 per share for a total amount of \$101.9 million. We have entered into pre-set trading plans adopted in accordance with Rule 10b5-1 under the Exchange Act to effect such repurchases. On August 25, 2024, our Board of Directors authorized a \$100 million expansion of the share repurchase plan. The authorized repurchase plan will expire on August 25, 2025.

Items 3 and 4 are not applicable and have been omitted.

Item 5. OTHER INFORMATION

During the three months ended July 31, 2024, the following directors and officers, as defined in Rule 16a-1(f) under the Exchange Act, adopted a “Rule 10b5-1 trading arrangement” as defined in Item 408 of Regulation S-K, as follows.

On July 9, 2024, Bethany Mayer, the Chair of our Board of Directors, adopted a Rule 10b5-1 trading arrangement that is intended to satisfy the affirmative defense of Rule 10b5-1(c) of the Exchange Act. The Rule 10b5-1 trading arrangement allows for the sale of up to 5,123 shares of our Class A common stock, commencing on October 8, 2024 and continuing until all shares are sold or July 31, 2025, whichever comes first.

No other directors or officers, as defined in Rule 16a-1(f), adopted and/or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement,” as defined in Regulation S-K Item 408, during the three months ended July 31, 2024.

Item 6. EXHIBITS

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

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.1*	Box, Inc. Amended and Restated 2015 Equity Incentive Plan, effective July 2, 2024.	8-K	001-36805	10.1	July 5, 2024
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1†	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
101.INS	Inline XBRL Instance Document.				
101.SCH	Inline XBRL Taxonomy Schema Linkbase Document.				
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)				

* Indicates a management contract or compensatory plan or arrangement.

† The certifications attached as Exhibit 32.1 that accompany this Quarterly Report on Form 10-Q are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Box, 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 Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 30, 2024

BOX, INC.

By: /s/ Aaron Levie
Aaron Levie
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Dylan Smith
Dylan Smith
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Aaron Levie, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Box, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) 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
 - (d) 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: August 30, 2024

By: /s/ Aaron Levie
Name: Aaron Levie
Title: Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Dylan Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Box, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) 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
 - (d) 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: August 30, 2024

By: /s/ Dylan Smith
Name: Dylan Smith
Title: Chief Financial Officer

**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**

I, Aaron Levie, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Box, Inc. for the fiscal quarter ended July 31, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Box, Inc.

Date: August 30, 2024

By: /s/ Aaron Levie

Name: Aaron Levie

Title: Chief Executive Officer

I, Dylan Smith, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Box, Inc. for the fiscal quarter ended July 31, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Box, Inc.

Date: August 30, 2024

By: /s/ Dylan Smith

Name: Dylan Smith

Title: Chief Financial Officer
