

BOX INC
Form S-1
March 24, 2014
Table of Contents

As filed with the Securities and Exchange Commission on March 24, 2014

Registration No. 333-

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

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Box, Inc.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

7372
(Primary Standard Industrial
Classification Code Number)
4440 El Camino Real

20-2714444
(I.R.S. Employer
Identification Number)

Edgar Filing: BOX INC - Form S-1

Los Altos, California 94022

(877) 729-4269

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Aaron Levie, Chairman and Chief Executive Officer

Dan Levin, President and Chief Operating Officer

Dylan Smith, Chief Financial Officer

Box, Inc.

4440 El Camino Real

Los Altos, California 94022

(877) 729-4269

(Names, address, including zip code, and telephone number, including area code, of agents for service)

Please send copies of all communications to:

Steven E. Bochner, Esq.
Jose F. Macias, Esq.
Jon C. Avina, Esq.
Wilson Sonsini Goodrich &
Rosati, P.C.
650 Page Mill Road
Palo Alto, California 94304
(650) 493-9300

Peter McGoff, Esq.
Senior Vice President and General Counsel
Box, Inc.
4440 El Camino Real
Los Altos, California 94022
(877) 729-4269

Richard A. Kline, Esq.
Anthony J. McCusker, Esq.
Goodwin Procter LLP
135 Commonwealth Drive
Menlo Park, California 94025
(650) 752-3100

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

Edgar Filing: BOX INC - Form S-1

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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

Large accelerated filer "

Accelerated filer "

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

Smaller reporting company "

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price ⁽¹⁾⁽²⁾	Amount of Registration Fee
Class A common stock, \$0.0001 par value per share	\$250,000,000	\$32,200

(1) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

(2) Includes the aggregate offering price of additional shares that the underwriters have the option to purchase to cover over-allotments, if any.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

Table of Contents

Table of Contents

Table of Contents

TABLE OF CONTENTS

	Page
<u>Prospectus Summary</u>	1
<u>Risk Factors</u>	14
<u>Special Note Regarding Forward-Looking Statements</u>	38
<u>Market and Industry Data</u>	40
<u>Use of Proceeds</u>	41
<u>Dividend Policy</u>	41
<u>Capitalization</u>	42
<u>Dilution</u>	44
<u>Selected Consolidated Financial Data</u>	47
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	50
<u>Letter from Aaron Levie, Co-Founder, Chairman and CEO</u>	75
<u>Business</u>	77
	Page
<u>Management</u>	104
<u>Executive Compensation</u>	111
<u>Certain Relationships and Related Party Transactions</u>	120
<u>Principal Stockholders</u>	126
<u>Description of Capital Stock</u>	129
<u>Shares Eligible for Future Sale</u>	135
<u>Material U.S. Federal Income Tax Consequences to Non-U.S. Holders of Our Common Stock</u>	137
<u>Underwriters</u>	141
<u>Legal Matters</u>	148
<u>Experts</u>	148
<u>Where You Can Find Additional Information</u>	148
<u>Index to Consolidated Financial Statements</u>	F-1

We have not authorized anyone to provide any information or make any representations other than those contained in this prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are offering to sell, and seeking offers to buy, shares of our Class A common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our Class A common stock.

Through and including _____, 2014 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

Edgar Filing: BOX INC - Form S-1

For investors outside of the United States: Neither we nor the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus outside of the United States.

Table of Contents

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary is not complete and does not contain all of the information you should consider in making your investment decision. You should read the following summary together with the more detailed information appearing elsewhere in this prospectus, including the sections titled Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes, before deciding whether to purchase shares of our Class A common stock.

BOX, INC.

Our Mission and Vision

Our mission is to make organizations more productive, competitive and collaborative by connecting people and their most important information. We believe our platform can become the cloud-based content layer that spans organizations, applications and devices to enable users to get work done more efficiently when, where and how they want.

Overview

Box provides a cloud-based, mobile-optimized Enterprise Content Collaboration platform that enables organizations of all sizes to easily and securely manage their content and collaborate internally and externally. Our platform combines powerful, elegant and easy-to-use functionality that is designed for users with the security, scalability and administrative controls required by IT departments. We have built our platform to enable users to get their work done regardless of file format, application environment, operating system, device or location. Our paying business customers include more than 40% of Fortune 500 companies and 20% of Global 2000 companies, and our 25 million registered users include employees from 99% of Fortune 500 companies, including companies in highly regulated industries such as healthcare and life sciences, telecommunications, energy and financial services.

There are several fundamental technology trends that are dramatically changing both individual behavior and enterprise IT infrastructure. Information workers increasingly expect to be able to access and work with their business content from any internet-enabled device, and they demand solutions that are as simple to use as their consumer internet applications, such as Facebook, LinkedIn and Twitter. However, legacy on-premise IT architectures were not built for ease of use or mobility. As a result, IT departments are increasingly pressured to find easier to use solutions that address employees' changing work styles, while also protecting confidential content, including documents, presentations, spreadsheets and multimedia.

At our founding, we recognized that content is more accessible, useful and powerful when it is centrally stored, managed and shared. We have architected our Enterprise Content Collaboration platform from the ground up to be cloud-based and mobile-optimized to meet the evolving demands of today's information worker. Cloud-based Enterprise Content Collaboration is especially powerful because it enables users to access and collaborate on centralized content from anywhere and allows organizations to access new features and apply policies and controls across all users and content simultaneously. Our solution is especially well-suited to support globally distributed workers with multiple devices.

We are building a rich ecosystem around Box. Our platform integrates with the applications of our technology partners, including salesforce.com, NetSuite and others, giving our users full access to Box without leaving partner applications. In addition, third-party developers can rapidly build, update and provision new applications that leverage

and extend the core functionality of our service, increasingly with a focus on specific

Table of Contents

industries and vertical market use cases. To date, tens of thousands of third-party developers have leveraged our platform as the secure content layer for their applications, including developers that are part of our Box OneCloud ecosystem, which provides users with access to more than 1,000 iOS and Android third-party applications.

Our go-to-market strategy combines user-driven adoption with a direct and indirect sales approach. We offer individuals a free basic version of Box to provide them with a first-hand experience of the simplicity and effectiveness of our service. Our solution often spreads virally within and across organizations, as users adopt Box and invite new users to collaborate. We monetize this network effect through direct and indirect sales strategies to formalize deployments within organizations and further expand our footprint. We also make it easy for users and organizations to visit our website and subscribe to both free and paid versions of our service. Frequently, an organization will purchase Box for one use case and later expand its deployment to other use cases and larger groups of employees.

Our solution is highly scalable and can support deployments ranging in size from one user to tens of thousands of users. As of January 31, 2014, we had 25 million registered users and supported over 225,000 organizations that collectively interact with their content over 2.5 billion times every three months. Our customers include more than 34,000 paying organizations globally, and our largest deployment to date is over 60,000 users. We currently offer our solution in 15 languages. Our customer base includes leading organizations across industries, including Ameriprise Financial, Inc., Bechtel, Eli Lilly and Company, Gap, Inc., Schneider Electric and Sunbelt Rentals.

We have experienced significant growth since our incorporation in 2005. For the 12 months ended December 31, 2011, January 31, 2013 and 2014, our revenue was \$21.1 million, \$58.8 million and \$124.2 million, respectively, representing year-over-year growth of 179% and 111%. We have invested and continue to invest heavily in our business to capitalize on our large market opportunity. As a result, we incurred net losses of \$50.3 million, \$112.6 million and \$168.6 million for the 12 months ended December 31, 2011, January 31, 2013 and 2014, respectively.

Industry Trends

Trends such as Cloud, Mobility and the Proliferation of Data are Changing How People Work

Several technology trends have driven down the cost of storage, enabled faster, more powerful applications and increased the number of connected devices, paving the way for cloud and mobile to transform the way that people live and work.

Shift from On-Premise to Cloud-Based Applications. Advances in technology architectures have supported the rise of cloud computing, which enables the delivery of software-as-a-service (SaaS). Today, mission-critical applications can be delivered reliably, securely and cost-effectively to customers over the internet without the need to purchase supporting hardware, software or ongoing maintenance. The lower total cost of ownership, better functionality and flexibility of cloud applications represent a compelling alternative to traditional on-premise solutions. As a result, Gartner, Inc. (Gartner) expects total cloud spending to increase from \$132 billion worldwide in 2013 to \$244 billion in 2017.

Increased Functionality and Proliferation of Mobile Devices. The rapidly increasing functionality of smartphones, tablets and other mobile devices has resulted in the significant adoption of such devices within organizations. According to International Data Corporation (IDC), there were 1.4 billion mobile internet users worldwide in 2013 and there will be 2.3 billion in 2017. Forrester Research, Inc. (Forrester) estimates

that 29% of the global workforce in 2012 used three or more devices, worked

Table of Contents

from multiple locations and accessed several applications. According to Gartner, the number of tablets sold has grown at a compound annual growth rate of 97% between 2010 and 2014 worldwide, and is expected to surpass personal computers (PCs), by annual number of units sold, in 2016.

Explosion of Content and Data. The volume of data continues to grow significantly as users and organizations increase their usage of data-rich applications and access content from multiple connected devices. According to IDC, from 2005 to 2020, the volume of digital information will grow by a factor of 300, increasing demand for cost-efficient and scalable storage and content management solutions.

These technology advancements have enabled the rapid development of a number of highly intuitive and engaging consumer-oriented internet and mobile applications that have changed the expectations of today's workforce. The rich functionality and usability of applications such as Facebook, LinkedIn and Twitter have led today's generation to expect their work applications to be similarly accessible, intuitive, social and collaborative, and their content to be available in the cloud and on any of their mobile devices. In response to the growing desire among workers to access and interact with their business information through their preferred personal devices, many organizations have established "bring your own device" policies. At the same time, workers are increasingly utilizing their favorite applications in the workplace in order to be more productive without seeking approval from their IT departments.

IT is Changing to Embrace These Trends while Maintaining Security and Scalability Standards

IT departments are mandated to ensure security for enterprise content in the face of an increasing number of cyber attacks and data leaks, to comply with ever-changing regulatory requirements and to maintain control and visibility over internal and external users while also taking advantage of the benefits of cloud and mobility. While it is clear that embracing cloud and mobility is a competitive imperative, meeting the permissions, security, scalability and administrative requirements typical of IT departments has become increasingly difficult as the proliferation of devices and applications on various architectures has created a more heterogeneous IT environment. Regulatory and compliance requirements for content, collaboration and storage have grown increasingly complex across geographies and industries. At the same time, reliance on technology for critical content and data has made organizations more vulnerable to both sophisticated external cyber attacks and data leaks.

Effective Content Management is Critical to Business Success Today

The technology trends described above are changing where and how work gets done because people can now access information and do their work from anywhere at any time. Employees, clients, vendors and contractors can now be seamlessly connected, creating new opportunities for sharing, collaboration and productivity. Ultimately, these modern approaches to productivity are empowering organizations to increase information velocity and speed up decision making, thereby increasing their competitiveness in the marketplace.

Our Market Opportunity

Our Enterprise Content Collaboration platform provides a combination of intuitive, user-friendly content applications with enterprise-grade features and security to serve as a central content layer across organizations. Our platform addresses several traditional IT categories defined by IDC, including content management, cloud storage, collaboration, and project and portfolio management, which in aggregate represents an estimated \$29 billion in global IT spending in 2014. We believe our opportunity includes large segments of existing enterprise IT spending as well as new use cases and users that are not currently captured by traditional market sizing studies. Customers purchase our services both to replace existing storage and content management solutions, as well as to enable entirely new use cases not well served by existing content or collaboration solutions.

Table of Contents

The size and importance of the Enterprise Content Collaboration market is driven by the fact that information is central to every organization's workflow, and organizations regularly invest in new ways to increase workforce productivity. According to Forrester, there were 615 million information workers as of 2013, and there are expected to be 865 million information workers by 2016. We believe our mobile-optimized platform extends our opportunity beyond information workers to anyone who uses information to get his or her job done, including all mobile workers. According to IDC, there were 1.0 billion mobile workers as of 2010, and there will be 1.3 billion mobile workers by 2015.

The Box Solution

Our solution empowers people to share and interact with content within their organization, with external partners and across their other business applications. Our solution offers:

Modern Cloud Architecture. We have built our platform from the ground up on a cloud-based architecture, which enables us to rapidly develop, update and provision our services to users.

Mobility. Our solution enables users to access content securely in real time through nearly any mobile device and operating system, including iOS, Android, Windows and Blackberry.

Elegant, Intuitive and User-Focused Interface. We strive to maintain an elegant, intuitive and simple interface with compelling content collaboration features to enable quick and viral user adoption.

Simple and Rapid Deployment. Our cloud-based software allows organizations to easily, quickly and inexpensively deploy our product.

Enterprise-Grade Security and Administrative Controls. We have invested heavily to build the security and administrative controls demanded by our largest customers. Box gives IT administrators powerful and granular tools to define access rights by user, content type, device and usage.

Platform Agnostic Content Layer. We have designed our solution to serve as the horizontal content and collaboration layer across an organization and its employees. Users typically store their most important information on our platform, enabling them to interact with almost any type of content, regardless of format or file type, and from any device, location or operating system.

Extensible Platform for Custom and Third-Party Application Development. We provide an open platform for independent software vendors (ISVs), companies and third-party developers to build and deploy unique applications with custom interfaces and workflows that leverage Box capabilities for content access, viewing, sharing, collaboration, security and reporting. We have a growing developer ecosystem building applications on the Box platform, including over 1,000 OneCloud mobile applications.

Easy Integration with Other Cloud-Based Applications. We offer a number of off-the-shelf integrations with critical business applications, including Salesforce, NetSuite and others. Using Box Embed, customers are able to store content generated from other applications in Box and access that content through the Box platform and any integrated business application.

Industry-Specific Compliance Certifications. We have obtained various regulatory and compliance certifications and have built the necessary security and controls to support specific industry vertical needs. For example, in healthcare, we facilitate compliance with the Health Insurance Portability and Accountability Act (HIPAA) and the Health Information Technology for Economic and Clinical Health (HITECH) Act by our customers.

Customized Plans and Pricing. We offer our solution through multiple plans to meet the varying needs of our diverse customer base. An individual user can create a personal Box account with a set storage capacity for a monthly fee. Organizations can purchase packages with different amounts of storage, levels of functionality and monthly fees per user.

Table of Contents

Version for Free Users. We offer users a free version of Box in order to promote additional usage, brand and product awareness, and adoption. Our free offering allows users to invite anyone to collaborate on Box, enabling faster content collaboration across employees, vendors, clients, contractors and other parties while exposing more potential users to our solution and helping our solution grow virally.

Robust Customer Support. Our customer success team works closely with customers to ensure they are obtaining the highest value from our services. Box Consulting, our professional services team, engages with customers to understand their specific use cases and deployment needs. We believe our customer service efforts are one of the reasons why we have been successful in retaining customers and increasing their use of our service within and across their organizations.

Benefits of Our Platform

We provide the following key benefits to users, IT departments, organizations, and technology partners and third-party developers:

Benefits to Users. We provide users with the ability to securely store, access, share and collaborate on content from any location using any operating system and on any device, ranging from PCs to smartphones and tablet devices. Our real-time collaboration solution enables users and their partners and customers to work together securely and more productively across functions, organizations and geographies. We provide these benefits with a service that is both powerful and simple to use.

Benefits to IT Departments. Our cloud-based service is quick and inexpensive to deploy. At the same time, our solution provides IT departments with enterprise-grade security, sophisticated data encryption technologies, secure content delivery networks and an intrusion detection system to monitor network traffic. We also offer an administrative console that allows IT administrators to manage their users and content, exercise granular security control, apply permission policies and maintain visibility on actions taken within corporate accounts.

Benefits to Organizations. Our solution enables organizations to replace technologies, such as File Transfer Protocol (FTP) servers, Managed File Transfer (MFT) tools and networked file servers, and experience greater ease of use at a lower total cost of ownership compared to their prior solutions. Moreover, our product is optimized for cloud and mobile, allowing organizations to extend content and collaboration to a broader base of users who work remotely using tablets and smartphones, enabling increased user productivity. Finally, by delivering our software as a cloud-based service, our customers always operate with the latest features and functionality.

Benefits to Technology Partners and Third-Party Developers. We have designed Box to integrate with the applications of our technology partners, such as salesforce.com, NetSuite and over 20 others, giving our users full access to Box's complete functionality without leaving partner applications. ISVs, system integrators and other third-party developers can rapidly build, update and provision new applications that leverage and extend the core functionality of Box. We also give developers access to an audience of 25 million registered users, which we believe allows our ecosystem of technology partners and third-party

developers to address a broad set of use cases.

Our Growth Strategy

With an increasing number of information workers, industry trends toward cloud and mobility, and the increased need for global collaboration, we believe the market opportunity for Enterprise Content Collaboration is significant and growing. Key elements of our growth strategy include:

Extending Our Technology Leadership. We have made, and will continue to make, significant investments in research and development to strengthen our existing platform, continually enhance usability and develop additional Enterprise Content Collaboration functionality to improve productivity.

Table of Contents

Increasing Our Customer Base Globally. We plan to continue investing in direct and indirect sales and free user marketing to acquire new customers both in the United States and internationally.

Growing Our Presence within Our Existing Customer Base. We will continue to expand deployment of our solution with existing customers by, among other things, growing from departmental deployments to broader implementations and addressing a broader range of use cases.

Target Industry Verticals. We will continue to invest in industry verticals, such as healthcare and life sciences, financial services, legal services, media and entertainment, education, energy and government, by developing targeted sales and marketing activities, ensuring that our service meets specific industry and regulatory requirements, and building relationships with partners that develop custom applications to address the unique needs in these industries.

Extending Our Sales Reach through Channel and Strategic Partners. We will continue to develop partnerships with leading channel partners, mobile device and hardware manufacturers, telecommunications service providers and system integrators.

Expanding Our Platform Ecosystem. We will continue to expand our platform ecosystem by developing additional relationships with ISVs, our customers' internal development organizations and other third-party developers. By supporting these strategic relationships, we believe our platform ecosystem will extend to new use cases that deliver more targeted, higher value solutions. We also believe that, as more ISVs and other third-party developers join the ecosystem, we will attract more customers, further strengthening our ecosystem and making it more attractive to new developers.

Risks Affecting Us

Our business is subject to numerous risks and uncertainties, including those highlighted in the section titled "Risk Factors" immediately following this prospectus summary. These risks include, but are not limited to, the following:

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

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

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

If the cloud-based Enterprise Content Collaboration market develops more slowly than we expect or declines, our business could be adversely affected;

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

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;

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

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

The dual class structure of our common stock has the effect of concentrating voting control with those stockholders who held our capital stock prior to the completion of this offering, including our executive

Table of Contents

officers, employees and directors and their affiliates, which will limit your ability to influence the outcome of important transactions, including a change in control. The holders of our outstanding Class B common stock will hold approximately % of the voting power of our outstanding capital stock following this offering.

Corporate Information

Our principal executive offices are located at 4440 El Camino Real, Los Altos, California 94022, and our telephone number is (877) 729-4269. Our website address is www.box.com. Information contained on, or that can be accessed through, our website is not incorporated by reference into this prospectus, and you should not consider information on our website to be part of this prospectus. We were incorporated in 2005 as Box.Net, Inc., a Washington corporation, and later reincorporated in 2008 under the same name as a Delaware corporation. In November 2011, we changed our name to Box, Inc. We recently changed the end of our fiscal year from December 31 to January 31.

Unless expressly indicated or the context requires otherwise, the terms Box, company, we, us, and our in this prospectus refer to Box, Inc., a Delaware corporation, and, where appropriate, its wholly-owned subsidiaries. The Box design logo, Box and our other registered and common law trade names, trademarks and service marks are the property of Box, Inc. This prospectus contains additional trade names, trademarks and service marks of other companies. We do not intend our use or display of other companies trade names, trademarks or service marks to imply a relationship with, or endorsement or sponsorship of us by, these other companies.

Emerging Growth Company

The Jumpstart Our Business Startups Act (JOBS Act) was enacted in April 2012 with the intention of encouraging capital formation in the United States and reducing the regulatory burden on newly public companies that qualify as emerging growth companies. We are an emerging growth company within the meaning of the JOBS Act. As an emerging growth company, we may take advantage of certain exemptions from various public reporting requirements, including the requirement that our internal control over financial reporting be audited by our independent registered public accounting firm pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley Act), certain requirements related to the disclosure of executive compensation in this prospectus and in our periodic reports and proxy statements and the requirement that we hold a nonbinding advisory vote on executive compensation and any golden parachute payments. We may take advantage of these exemptions until we are no longer an emerging growth company.

We will remain an emerging growth company until the earliest to occur of (i) the last day of the fiscal year in which we have more than \$1.0 billion in annual revenue; (ii) the date we qualify as a large accelerated filer, with at least \$700 million of equity securities held by non-affiliates; (iii) the date on which we have issued, in any three-year period, more than \$1.0 billion in non-convertible debt securities; and (iv) the last day of the fiscal year ending after the fifth anniversary of the completion of this offering.

See the section titled *Risk Factors Risks Related to Our Business and Our Industry We are an emerging growth company, and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our Class A common stock less attractive to investors* for certain risks related to our status as an emerging growth company.

Table of Contents**THE OFFERING**

Class A common stock offered by us	shares
Class A common stock to be outstanding after this offering	shares
Class B common stock to be outstanding after this offering	shares
Total Class A common stock and Class B common stock to be outstanding after this offering	shares
Over-allotment option of Class A common stock offered by us	shares
Use of proceeds	We estimate that our net proceeds from the sale of our Class A common stock that we are offering will be approximately \$, assuming an initial public offering price of \$ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.
	The principal purposes of this offering are to increase our capitalization and financial flexibility and create a public market for our Class A common stock. We intend to use the net proceeds we receive from this offering for general corporate purposes, including working capital, operating expenses and capital expenditures. While we cannot specify with certainty the particular uses of the net proceeds we receive from this offering, we currently expect to invest at least 50% of the net proceeds in sales and marketing activities, product development, general and administrative matters and capital expenditures to support the growth in our business. We also may use a portion of the net proceeds to acquire complementary businesses, products, services or technologies. However, we do not have agreements or commitments for any specific acquisitions at this time. See the section titled Use of Proceeds for additional information.
Voting rights	Shares of our Class A common stock are entitled to one vote per share.

Shares of our Class B common stock are entitled to 10 votes per share.

Holders of our Class A common stock and Class B common stock will generally vote together as a single class, unless otherwise required by law or our amended and restated certificate of incorporation. The

Table of Contents

holders of our outstanding Class B common stock will hold approximately % of the voting power of our outstanding capital stock following this offering and will have the ability to control the outcome of matters submitted to our stockholders for approval, including the election of our directors and the approval of any change in control transaction. See the sections titled Principal Stockholders and Description of Capital Stock for additional information.

Proposed NYSE trading symbol

BOX

Prior to the completion of this offering, we had two classes of common stock: Class A common stock and Class B common stock. The rights of the holders of our Class A common stock and Class B common stock were identical except with respect to voting. The holders of our Class A common stock were entitled to one vote per share, and the holders of our Class B common stock had no voting rights.

Upon the completion of this offering, we will have authorized a new class of Class A common stock and a new class of Class B common stock. All currently outstanding shares of our Class A common stock, Class B common stock and redeemable convertible preferred stock (including shares to be issued upon the exercise of the Net Exercise Warrant described below immediately prior to the completion of this offering) will convert into shares of our new Class B common stock. In addition, all currently outstanding restricted stock units (RSUs) and options to purchase shares of our capital stock will become eligible to be settled in or exercisable for shares of our new Class B common stock.

Unless otherwise indicated, other than in our consolidated financial statements, references in this prospectus to our Class A common stock and Class B common stock are to our new Class A common stock and new Class B common stock, respectively. We refer to our Class A common stock prior to the completion of this offering as Existing Class A common stock and our Class B common stock prior to the completion of this offering as Existing Class B common stock.

The number of shares of our Class A common stock and Class B common stock that will be outstanding after this offering is based on no shares of our Class A common stock and 90,193,539 shares of our Class B common stock (including our redeemable convertible preferred stock on an as-converted basis and excluding the Net Exercise Warrant described below) outstanding as of January 31, 2014, and excludes:

18,427,075 shares of our Class B common stock issuable upon the exercise of options to purchase shares of our Class B common stock outstanding as of January 31, 2014, with a weighted-average exercise price of \$3.65 per share;

225,300 shares of our Class B common stock issuable upon the vesting of RSUs outstanding as of January 31, 2014; and

shares of our Class A common stock reserved for future issuance under our equity compensation plans, consisting of:

Edgar Filing: BOX INC - Form S-1

shares of our Class A common stock reserved for future issuance under our 2014 Equity Incentive Plan (2014 Plan), which will become effective prior to the completion of this offering;

41,840 shares of our Class B common stock reserved for future issuance under our 2011 Equity Incentive Plan (2011 Plan) as of January 31, 2014, which number of shares will be added to the shares

Table of Contents

of our Class A common stock to be reserved under our 2014 Plan upon its effectiveness, at which time we will cease granting awards under our 2011 Plan; and

shares of our Class A common stock reserved for future issuance under our 2014 Employee Stock Purchase Plan (ESPP), which will become effective prior to the completion of this offering. Our 2014 Plan and ESPP each provide for annual automatic increases in the number of shares reserved thereunder, and our 2014 Plan also provides for increases in the number of shares reserved thereunder based on awards under our 2011 Plan that expire, are forfeited or otherwise repurchased by us, as more fully described in the section titled Executive Compensation Employee Benefit and Stock Plans.

Of the shares described above, up to 18,652,375 shares of our Class B common stock will be issuable after this offering upon the exercise or vesting of outstanding stock options or RSUs.

Unless otherwise indicated, other than in our consolidated financial statements, all information in this prospectus assumes:

the filing and effectiveness of our amended and restated certificate of incorporation and the effectiveness of our amended and restated bylaws, each of which will occur immediately prior to the completion of this offering;

the reclassification of our outstanding Existing Class A common stock and Existing Class B common stock into an equivalent number of shares of our Class B common stock, which will occur immediately prior to the completion of this offering, and the authorization of our Class A common stock;

the automatic conversion of all outstanding shares of our redeemable convertible preferred stock into an aggregate of 76,238,097 shares of our Class B common stock, which will occur immediately prior to the completion of this offering;

the issuance of shares of our Class B common stock immediately prior to the completion of this offering upon the assumed net exercise of a warrant to purchase up to 87,140 shares of our redeemable convertible preferred stock outstanding as of January 31, 2014 (Net Exercise Warrant), at an exercise price of \$0.29 per share, based upon the assumed initial public offering price of \$ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus; and

no exercise of the underwriters over-allotment option.

Table of Contents**SUMMARY CONSOLIDATED FINANCIAL DATA**

We changed the end of our fiscal year from December 31 to January 31, effective for our fiscal year ended January 31, 2013, and as a result, we also present below certain summary consolidated financial information for the one-month transition period ended January 31, 2012. The summary consolidated statements of operations data presented below for the year ended December 31, 2011, the one-month period ended January 31, 2012 and the years ended January 31, 2013 and 2014 are derived from our audited consolidated financial statements included elsewhere in this prospectus. The following summary consolidated financial data should be read together with the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this prospectus.

	Year Ended December 31, 2011	One Month Ended January 31, 2012	Year Ended January 31, 2013	Year Ended January 31, 2014
(in thousands, except per share data)				
Consolidated Statements of Operations Data:				
Revenue	\$ 21,084	\$ 3,376	\$ 58,797	\$ 124,192
Cost of revenue ⁽¹⁾	6,873	850	14,280	25,974
Gross profit	14,211	2,526	44,517	98,218
Operating expenses:				
Research and development ⁽¹⁾	14,396	1,915	28,996	45,967
Sales and marketing ⁽¹⁾	36,189	4,246	99,221	171,188
General and administrative ⁽¹⁾	13,480	1,125	25,429	39,843
Total operating expenses	64,065	7,286	153,646	256,998
Loss from operations	(49,854)	(4,760)	(109,129)	(158,780)
Remeasurement of redeemable convertible preferred stock warrant liability	(356)	(371)	(1,727)	(8,477)
Interest income (expense), net	(109)	27	(1,764)	(3,705)
Other income (expense), net	49	(8)	116	(26)
Loss before provision (benefit) for income taxes	(50,270)	(5,112)	(112,504)	(170,988)
Provision (benefit) for income taxes	1	15	59	(2,431)
Net loss	(50,271)	(5,127)	(112,563)	(168,557)
Accretion of redeemable convertible preferred stock	(80)	(9)	(226)	(341)
	\$ (50,351)	\$ (5,136)	\$ (112,789)	\$ (168,898)

Net loss attributable to common stockholders

Net loss per share attributable to common stockholders, basic and diluted	\$	(9.53)	\$	(0.84)	\$	(14.68)	\$	(14.89)
---	----	--------	----	--------	----	---------	----	---------

Weighted-average shares used to compute net loss per share attributable to common stockholders, basic and diluted

	5,284	6,099	7,684	11,341
--	-------	-------	-------	--------

Pro forma net loss per share attributable to common stockholders, basic and diluted (unaudited)

\$	(1.93)
----	--------

Weighted-average shares used to compute pro forma net loss per share attributable to common stockholders, basic and diluted (unaudited)

82,948

Table of Contents

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

	Year Ended December 31, 2011	One Month Ended January 31, 2012	Year Ended January 31, 2013	Year Ended January 31, 2014
	(in thousands)			
Cost of revenue	\$ 686	\$ 6	\$ 1,087	\$ 450
Research and development	899	19	1,211	3,154
Sales and marketing	837	24	1,893	5,017
General and administrative	3,800	23	3,345	3,128
Total stock-based compensation	\$ 6,222	\$ 72	\$ 7,536	\$ 11,749

Our consolidated balance sheet data as of January 31, 2014 is presented on:

an actual basis;

a pro forma basis, giving effect to the automatic conversion of all outstanding shares of our redeemable convertible preferred stock (excluding the Net Exercise Warrant) into 76,238,097 shares of our Class B common stock, the related reclassification of the redeemable convertible preferred stock warrant liability to additional paid-in capital and the effectiveness of our amended and restated certificate of incorporation, as if such conversion, reclassification and effectiveness had occurred on January 31, 2014; and

a pro forma as adjusted basis, giving effect to the pro forma adjustments and the sale and issuance of shares of our Class A common stock by us in this offering, based upon the assumed initial public offering price of \$ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The pro forma as adjusted information set forth in the table below is illustrative only and will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing.

	Actual	January 31, 2014 Pro Forma (in thousands)	Pro Forma As Adjusted⁽¹⁾
Consolidated Balance Sheet Data:			
Cash and cash equivalents	\$ 108,851	\$ 108,851	\$

Edgar Filing: BOX INC - Form S-1

Working capital	44,289	44,289
Total assets	235,429	235,429
Deferred revenue, current and non-current	90,072	90,072
Debt, non-current	34,000	34,000
Redeemable convertible preferred stock warrant liability, non-current	1,346	
Redeemable convertible preferred stock	393,217	
Total stockholders (deficit) equity	(332,512)	62,051

(1) Each \$1.00 increase (decrease) in the assumed initial public offering price of \$ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase (decrease) our cash and cash equivalents, working capital, total assets and total stockholders (deficit) equity by approximately \$ million, assuming that the number of shares of our Class A common stock offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

Table of Contents**Key Business Metrics**

We monitor the following key metrics to help us measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions. In addition to our results determined in accordance with generally accepted accounting principles in the United States (GAAP), we believe the following non-GAAP financial and operational measures are useful in evaluating our operating performance.

	Year Ended December 31, 2011	Year Ended January 31, 2013	Year Ended January 31, 2014
Billings (in thousands)	\$ 30,391	\$ 85,727	\$ 174,165
Billings growth rate	177%	182%	103%
Retention rate (period end)	129%	144%	136%

Billings

Billings represent our revenue plus the change in deferred revenue in the period. Billings we record in any particular period reflect sales to new customers plus subscription renewals and upsells to existing customers, and represent amounts invoiced for subscription, premier support and professional services (which we refer to as Box Consulting). We typically invoice our customers at the beginning of the term, in multiyear, annual, quarterly or monthly installments. If the customer elects to pay the full subscription amount at the beginning of the period, the total subscription amount for the entire term will be reflected in billings. If the customer elects to be invoiced annually or more frequently, only the amount billed for such period will be included in billings. See the section titled *Selected Consolidated Financial Data Reconciliation of Billings to Revenue* for a reconciliation of billings to revenue, the most directly comparable GAAP financial measure, and explanations of why we track billings and why billings may be a useful measure for investors.

Retention Rate

We calculate our retention rate as of a period end by starting with the annual contract value (ACV) from customers with contract value of \$5,000 or more as of 12 months prior to such period end (Prior Period ACV) and a subscription term of at least 12 months. We then calculate the ACV from these same customers as of the current period end (Current Period ACV). Finally, we divide the aggregate Current Period ACV for the trailing 12-month period by the aggregate Prior Period ACV for the trailing 12-month period to arrive at our retention rate. We believe our retention rate is an important metric that provides insight into the long-term value of our subscription agreements and our ability to retain and grow revenue from our customer base. We focus on contracts that have a value of \$5,000 or more because, over time, these customers give us the best indicator for the growth of our business and the potential for incremental business as they renew and expand their deployments, and contracts with these customers represent a substantial majority of our revenue for the period ended January 31, 2014. See the section titled *Selected Consolidated Financial Data* for explanations of why we track retention rate, why retention rate may be a useful measure for investors and an explanation that there is no comparable GAAP financial measure to which we can reconcile this particular key metric.

Table of Contents**RISK FACTORS**

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

Risks Related to Our Business and Our Industry

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

We have incurred significant losses in each period since our inception in 2005. We incurred net losses of \$50.3 million in our fiscal year ended December 31, 2011, \$112.6 million in our fiscal year ended January 31, 2013, and \$168.6 million in our fiscal year ended January 31, 2014. As of January 31, 2014, we had an accumulated deficit of \$361.2 million. These losses and accumulated deficit reflect the substantial investments we made to acquire new customers and develop our services. We intend to continue scaling our business to increase our number of users and paying organizations and to meet the increasingly complex needs of our customers. We have invested, and expect to continue to invest, in our sales and marketing organizations to sell our services around the world and in our development organization to deliver additional features and capabilities of our cloud services to address our customers evolving needs. We also expect to continue to make significant investments in our datacenter infrastructure and in our professional service organization as we focus on customer success. As a result of our continuing investments to scale our business in each of these areas, we do not expect to be profitable for the foreseeable future. Furthermore, to the extent we are successful in increasing our customer base, we will also incur increased losses due to upfront costs associated with acquiring new customers, particularly as a result of the limited free trial version of our service and the nature of subscription revenue, which is generally recognized ratably over the term of the subscription period, which is typically one year, although we also offer our services for terms ranging between one month to three years or more. We cannot assure you that we will achieve profitability in the future or that, if we do become profitable, we will sustain profitability.

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

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

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

The market for cloud-based Enterprise Content Collaboration services is fragmented, rapidly evolving and highly competitive, with relatively low barriers to entry for certain applications and services. Many of our competitors and potential competitors are larger and have greater name recognition, much longer operating histories, larger marketing

budgets and significantly greater resources than we do. Our competitors include Citrix, Dropbox, EMC, Google, and Microsoft. With the introduction of new technologies and market entrants, we expect competition to continue to intensify in the future. If we fail to compete effectively, our business will

Table of Contents

be harmed. Some of our principal competitors offer their products or services at a lower price, which has resulted in pricing pressures on our business. If we are unable to achieve our target pricing levels, our operating results would be negatively impacted. In addition, pricing pressures and increased competition generally could result in reduced sales, lower margins, losses or the failure of our services to achieve or maintain widespread market acceptance, any of which could harm our business.

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

If the cloud-based Enterprise Content Collaboration market develops more slowly than we expect or declines, our business could be adversely affected.

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

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

We have recently experienced a period of rapid growth in our operations and employee headcount. In particular, we grew from 369 employees as of January 31, 2012 to 972 employees as of January 31, 2014, and have also significantly increased the size of our customer base. You should not consider our recent growth in revenue as indicative of our future performance. However, we anticipate that we will significantly expand our operations and employee headcount in the near term, including internationally. This growth has placed, and future growth will place, a significant strain on our management, administrative, operational and financial infrastructure. Our success will depend in part on our ability to manage this growth effectively. To manage the expected growth of our operations and personnel, we will

need to continue to improve our operational, financial

Table of Contents

and management controls, and our reporting systems and procedures. Failure to effectively manage growth could result in difficulty or delays in deploying customers, declines in quality or customer satisfaction, increases in costs, difficulties in introducing new features or other operational difficulties. Any of these difficulties could adversely impact our business performance and operating results.

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

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

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

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

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

Our industry is marked by rapid technological developments and new and enhanced applications and services. If we are unable to provide enhancements and new features for our existing services or new services that achieve market acceptance or that keep pace with rapid technological developments, our business could be adversely affected. For example, we have recently introduced Box Notes, which allows users to create documents, take notes and share ideas in real-time with anyone. The success of enhancements, new features and services depends on several factors, including the timely completion, introduction and market acceptance of such enhancements, features or services. Failure in this regard may significantly impair our revenue growth. In addition, because our services are designed to operate on a variety of systems, we will need to continuously modify and enhance our services to keep pace with changes in internet-related hardware, mobile operating systems such as iOS and Android, and other software, communication, browser and database technologies. We may not be successful in either developing these modifications and enhancements or in bringing them to market in a timely fashion. Furthermore, modifications to existing platforms or technologies will increase our research and development expenses. Any failure of our services to operate effectively with future network platforms and technologies could reduce the demand for our services, result in customer dissatisfaction and adversely affect our business.

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

The services we offer involve the storage of large amounts of our customers' sensitive and proprietary information. Cyber attacks and other malicious internet-based activity continue to increase in frequency and in magnitude generally, and cloud-based content collaboration services have been targeted in the past. As we

Table of Contents

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

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

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

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

Users can use our services to store personal or identifying information. However, federal, state and foreign government bodies and agencies have adopted or are considering adopting laws and regulations regarding the collection, use and disclosure of personal information obtained from consumers and other individuals. The costs

Table of Contents

of compliance with, and other burdens imposed by, such laws and regulations that are applicable to our business or the businesses of our customers may limit the use and adoption of our services and reduce overall demand for them.

In addition, foreign data protection, privacy and other laws and regulations are often more restrictive than those in the United States. For example, a revision to the 1995 European Union Data Protection Directive is currently being considered by European legislative bodies that may include more stringent operational requirements for data processors and significant penalties for non-compliance. Similarly, there have been a number of recent legislative proposals in the United States, at both the federal and state level, that would impose new obligations in areas such as privacy and liability for copyright infringement by third parties. These existing and proposed laws and regulations can be costly to comply with and can delay or impede the development of new products, result in negative publicity, increase our operating costs, require significant management time and attention, and subject us to claims or other remedies, including fines or demands that we modify or cease existing business practices.

These U.S. federal and state and foreign laws and regulations, which can be enforced by private parties or governmental entities, are constantly evolving and can be subject to significant change. A number of proposals are pending before federal, state and foreign legislative and regulatory bodies that could affect our business. For example, the European Commission is currently considering a data protection regulation that may include operational requirements for companies that receive personal data that are different than those currently in place in the European Union, and that may also include significant penalties for non-compliance. In addition, some countries are considering legislation requiring local storage and processing of data that could increase the cost and complexity of delivering our services.

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

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

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

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

We generally recognize revenue from customers ratably over the terms of their subscription agreements, which are typically one year. As a result, most of the revenue we report in each quarter is the result of subscription agreements

entered into during previous 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

Table of Contents

decline will negatively affect our revenue in future quarters. Accordingly, the effect of significant downturns in sales and market acceptance of our services, and potential changes in our retention rate may not be fully reflected in our operating results until future periods. Our subscription model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as revenue from new customers must be recognized over the applicable subscription term.

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

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

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

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

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

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

our ability to attract new customers;

our ability to convert users of our limited free versions to paying customers;

the addition or loss of large customers, including through acquisitions or consolidations;

our retention rate;

Table of Contents

the timing of recognition of revenue;

the amount and timing of operating expenses related to the maintenance and expansion of our business, operations and infrastructure;

network outages or security breaches;

general economic, industry and market conditions;

increases or decreases in the number of features in our services or pricing changes upon any renewals of customer agreements;

changes in our pricing policies or those of our competitors;

seasonal variations in sales of our services, which has historically been highest in the fourth quarter of a calendar year;

the timing and success of new services and service introductions by us and our competitors or any other change in the competitive dynamics of our industry, including consolidation among competitors, customers or strategic partners; and

the timing of expenses related to the development or acquisition of technologies or businesses and potential future charges for impairment of goodwill from acquired companies.

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

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

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

We have experienced significant growth in the number of users and the amount of data that our operations infrastructure supports. We seek to maintain sufficient excess capacity in our operations infrastructure to meet the needs of all of our customers. We also seek to maintain excess capacity to facilitate the rapid provisioning of new customer deployments and the expansion of existing customer deployments. In addition, we need to properly manage

our technological operations infrastructure in order to support version control, changes in hardware and software parameters and the evolution of our services. However, the provision of new hosting infrastructure requires significant lead-time. We have experienced, and may in the future experience, website disruptions, outages and other performance problems. These problems may be caused by a variety of factors, including infrastructure changes, human or software errors, viruses, security attacks, fraud, spikes in customer usage and denial of service issues. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time, which may harm our reputation and operating results. Furthermore, if we do not accurately predict our infrastructure requirements, our existing customers may experience service outages that may subject us to financial penalties, financial liabilities and customer losses. If our operations infrastructure fails to keep pace with increased sales, customers may experience delays as we seek to obtain additional capacity, which could adversely affect our reputation and our revenue.

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

We currently store our customers' information within two third-party datacenter hosting facilities located in Northern California. As part of our current disaster recovery arrangements, our production environment and all

Table of Contents

of our customers' data is currently replicated in near real time in a facility located in Las Vegas, Nevada. In addition, all of our customers' data is further replicated on a third-party storage platform located on the East Coast. These facilities are located in areas prone to earthquakes and are also vulnerable to damage or interruption from floods, fires, power loss, telecommunications failures and similar events. They may also be subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. Any damage to, or failure of, our systems generally could result in interruptions in our service. Interruptions in our service may reduce our revenue, cause us to issue credits or pay penalties, cause customers to terminate their subscriptions and adversely affect our renewal rate and our ability to attract new customers. Our business will also be harmed if our customers and potential customers believe our service is unreliable. Despite precautions taken at these facilities, the occurrence of a natural disaster, an act of terrorism, a decision to close the facilities without adequate notice or other unanticipated problems at these facilities could result in lengthy interruptions in our service. Even with the disaster recovery arrangements, our service could be interrupted. As we continue to add datacenters and add capacity in our existing datacenters, we may move or transfer our data and our customers' data. Despite precautions taken during this process, any unsuccessful data transfers may impair the delivery of our service. Further, as we continue to grow and scale our business to meet the needs of our customers, additional burdens may be placed on our hosting facilities. In particular, a rapid expansion of our business could cause our network or systems to fail.

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

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

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

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

Our growth strategy also depends on our ability to expand our organization with highly skilled personnel. Identifying, recruiting, training and integrating qualified individuals will require significant time, expense and attention. In

addition to hiring new employees, we must continue to focus on retaining our best employees. Many

Table of Contents

of our employees may be able to receive significant proceeds from sales of our equity in the public markets after this offering, which may reduce their motivation to continue to work for us. Competition for highly skilled personnel is intense, particularly in the San Francisco Bay Area, where our headquarters are located. We may need to invest significant amounts of cash and equity to attract and retain new employees, and we may never realize returns on these investments. If we are not able to effectively add and retain employees, our ability to achieve our strategic objectives will be adversely impacted, and our business will be harmed.

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

There is considerable patent and other intellectual property development activity in our industry. Our success depends on our not infringing upon the 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. Certain third parties have claimed that we are infringing upon their intellectual property rights, and we may be found to be infringing upon such rights. In addition, we cannot assure you that actions by other third parties alleging infringement by us of third-party patents will not be asserted or prosecuted against us. In the future, others may claim that our services and underlying technology infringe or violate their intellectual property rights. However, we may be unaware of the intellectual property rights that others may claim cover some or all of our technology or services. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, prevent us from offering our services, or require that we comply with other unfavorable terms. We may also be obligated to indemnify our customers or business partners or pay substantial settlement costs, including royalty payments, in connection with any such claim or litigation and to obtain licenses, modify services, or refund fees, which could be costly. Even if we were to prevail in such a dispute, any litigation regarding our intellectual property could be costly and time consuming and divert the attention of our management and key personnel from our business operations.

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

Our success and ability to compete depend in part on our intellectual property. As of January 31, 2014, we had four issued U.S. patents, one issued Great Britain patent and more than 140 pending patent applications. We primarily rely on copyright, trade secret and trademark laws, trade secret protection and confidentiality or license agreements with our employees, customers, partners and others to protect our intellectual property rights. However, the steps we take to protect our intellectual property rights may be inadequate. We may not be able to obtain any further patents, and our pending applications may not result in the issuance of patents. We have one issued patent and pending patent applications outside the U.S., and we may have to expend significant resources to obtain additional patents as we expand our international operations.

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

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

business effectively.

We rely on third parties for certain essential financial and operational services. Traditionally, the vast majority of these services have been provided by large enterprise software vendors who license their software to

Table of Contents

customers. However, we receive many of these services on a subscription basis from various software-as-a-service companies that are smaller and have shorter operating histories than traditional software vendors. Moreover, these vendors provide their services to us via a cloud-based model instead of software that is installed on our premises. As a result, we depend upon these vendors providing us with services that are always available and are free of errors or defects that could cause disruptions in our business processes, which would adversely affect our ability to operate and manage our operations.

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

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

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

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

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

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

Table of Contents

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

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

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

If our 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 services are inherently complex and may contain material defects or errors. Any defects either in functionality or that cause interruptions in the availability of our services, as well as user error, could result in:

loss or delayed market acceptance and sales;

breach of warranty claims;

sales credits or refunds for prepaid amounts related to unused subscription services;

loss of customers;

diversion of development and customer service resources; and

harm to our reputation.

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

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

Table of Contents

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

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

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

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

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

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

the need to localize and adapt our services for specific countries, including translation into foreign languages and associated expenses;

data privacy laws that, among other things, could require that customer data be stored and processed in a designated territory;

difficulties in staffing and managing foreign operations;

different pricing environments, longer sales cycles and longer accounts receivable payment cycles and collections issues;

new and different sources of competition;

weaker protection for intellectual property and other legal rights than in the United States and practical difficulties in enforcing intellectual property and other rights outside of the United States;

laws and business practices favoring local competitors;

compliance challenges related to the complexity of multiple, conflicting and changing governmental laws and regulations, including employment, tax, privacy and data protection laws and regulations;

increased financial accounting and reporting burdens and complexities;

restrictions on the transfer of funds;

adverse tax consequences; and

unstable regional, economic and political conditions.

Table of Contents

We both sell our services and incur operating expenses in various currencies. Therefore, fluctuations in the value of the U.S. dollar and foreign currencies may impact our operating results when translated into U.S. dollars. We currently manage our exchange rate risk by matching foreign currency cash balances with payables but do not have any other hedging programs in place to limit the risk of exchange rate fluctuations.

Failure to adequately expand our direct sales force will impede our growth.

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

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

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

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

In order to grow our business, we anticipate that we will continue to depend on our relationships with third parties, such as alliance partners, distributors, system integrators and developers. For example, we have entered into agreements with partners to market, resell, integrate with or endorse our services. We also partner with channel partners and resellers to sell our services. Identifying partners and resellers, and negotiating and documenting relationships with them, requires significant time and resources. Also, we depend on our ecosystem of system integrators and developers to create applications that will integrate with our platform. 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 addition, acquisitions of our partners by our competitors could result in a decrease in the number of current and potential customers, as our partners may no longer facilitate the adoption of our services by potential customers.

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

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

Table of Contents

We depend on our ecosystem of system integrators and developers to create applications that will integrate with our platform.

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

we cannot provide any assurance that these applications meet the same quality standards that we apply to our own development efforts, and to the extent that they contain bugs or defects, they may create disruptions in our customers' use of our services or negatively affect our brand;

we do not currently provide support for software applications developed by our partner ecosystem, and users may be left without support and potentially cease using our services if these system integrators and developers do not provide adequate support for their applications; and

these system integrators and developers may not possess the appropriate intellectual property rights to develop and share their applications.

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

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

We believe that our culture has been and will continue to be a key contributor to our success. From January 31, 2012 to January 31, 2014, we increased the size of our workforce by over 600 employees, and we expect to continue to hire aggressively as we expand. If we do not continue to develop our corporate culture or maintain our core values as we grow and evolve both in the United States and internationally, we may be unable to foster the innovation, creativity and teamwork we believe we need to support our growth. Moreover, liquidity available to our employee security holders following this offering could lead to disparities of wealth among our employees, which could adversely impact relations among employees and our culture in general. Our transition from a private company to a public company may result in a change to our corporate culture, which could harm our business.

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

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

available, purchase a costly license or cease offering the implicated services unless and until we can re-engineer them to avoid infringement. This re-engineering process could require significant additional research and development resources, and we may not be able to complete it successfully. In addition to risks related to license requirements, use of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of software. Additionally, because any software source code we contribute to open source projects is publicly available, our ability to protect our intellectual property rights with respect to such software source code may be limited or lost entirely, and we are unable to prevent our competitors or others

Table of Contents

from using such contributed software source code. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could have a negative effect on our business, financial condition and operating results.

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

Our success will depend, in part, on our ability to expand our services and grow our business in response to changing technologies, customer demands, and competitive pressures. In some circumstances, we may choose to do so through the acquisition of complementary businesses and technologies rather than through internal development, including, for example, our recent acquisition of Crocodoc, Inc., a company with advanced HTML5 based document rendering technology. The identification of suitable acquisition candidates can be difficult, time-consuming and costly, and we may not be able to successfully complete identified acquisitions. The risks we face in connection with acquisitions include:

diversion of management time and focus from operating our business to addressing acquisition integration challenges;

coordination of research and development and sales and marketing functions;

retention of key employees from the acquired company;

cultural challenges associated with integrating employees from the acquired company into our organization;

integration of the acquired company's accounting, management information, human resources and other administrative systems;

the need to implement or improve controls, procedures, and policies at a business that prior to the acquisition may have lacked effective controls, procedures and policies;