

**Box Inc.**  
**Second Quarter Fiscal 2026**  
**Conference Call Remarks**  
**August 26, 2025**

**Introduction**

Good afternoon and welcome to Box's Second Quarter Fiscal 2026 Earnings Conference Call. I am Cynthia Hiponia, Vice President Investor Relations. On the call today, we have Aaron Levie, Box co-founder and CEO, and Dylan Smith, Box co-founder and CFO. Following our prepared remarks, we will take your questions.

Today's call is being webcast and will also be available for replay on our Investor Relations website at [www.boxinvestorrelations.com](http://www.boxinvestorrelations.com). Our webcast will be audio only. However supplemental slides are now available for download from our website.

On this call, we will be making forward-looking statements including:

- Our third quarter and full year fiscal 2026 financial guidance, and our expectations regarding our financial performance for fiscal 2026 and future periods, including gross margins, operating margins, operating leverage, future profitability, net retention rates, remaining performance obligations, revenue and billings, and the impact of foreign currency exchange rates and deferred tax expenses; and
- Our expectations regarding
  - the size of our market opportunity;
  - our planned investments, future product offerings, and growth strategies;
  - our ability to achieve our revenue, operating margins and other operating model targets;
  - the timing and market adoption of, and benefits from, our new products, pricing models, and partnerships;

- our ability to address enterprise challenges and deliver cost savings for our customers;
- the impact of the macro environment on our business and operating results; and
- our capital allocation strategies, including potential repurchase of our common stock.

These statements reflect our best judgment based on factors currently known to us, and actual events or results may differ materially. Please refer to our earnings press release filed today and the risk factors in documents we file with the Securities and Exchange Commission, including our most recent Quarterly Report on Form 10-Q for information on risks and uncertainties that may cause actual results to differ materially from statements made on this earnings call. These forward-looking statements are being made as of today, August 26, 2025, and we disclaim any obligation to update or revise them should they change or cease to be up-to-date.

In addition, during today's call, we will discuss non-GAAP financial measures. These non-GAAP financial measures should be considered in addition to, and not as a substitute for or in isolation from, our GAAP results. You can find additional disclosures regarding these non-GAAP measures, including reconciliations with comparable GAAP results, in our earnings press release and in the related supplemental slides which can be found on the Investor Relations page of our website. Unless otherwise indicated, all references to financial measures are on a non-GAAP basis.

Thank you.

With that, let me turn the call over to Aaron.

### **Q2 Fiscal 2026 Overview**

Thank you, Cynthia, and thanks everyone for joining us today.

We delivered a strong second quarter with results above our guidance, reflecting continued growth in customer adoption of Box AI and our advanced workflow capabilities. This includes revenue growth of 9%, or 7% in constant currency, and RPO growth of 16%. Operating margins in the quarter were 29% with EPS of 33 cents, 2 cents above the high-end of our outlook.

We had strong momentum in Q2 in customer adoption of Enterprise Advanced, which brings together our most powerful intelligent workflow capabilities in one plan.

Examples include:

- A prominent US law firm became a new customer to Box, driven by Enterprise Advanced AI-powered metadata extraction capabilities and intelligent, no-code apps to power its business processes. This is an enterprise-wide agreement replacing both an existing cloud-based platform vendor and an esignature company.
- In partnership with a systems integrator, a Fortune 500 hospitality chain upgraded from a non-Suites plan into Enterprise Advanced as they move away from a manual process with multiple systems to manage global projects. The company is looking to use AI powered metadata extraction, Box Hubs, Doc Gen and Relay in design and planning workflows to scale projects and streamline execution.
- And a global industrial automation company upgraded from Enterprise Plus to Enterprise Advanced and expanded seats as they look to centralize their contract management solutions, automate quote generations and enhance cross-entity document searchability. The company will use AI powered metadata extraction to capture contract renewal dates and legal obligations to inform decision making and ensure compliance.

In addition to the accelerating momentum in Enterprise Advanced, Enterprise Plus continues to drive customer demand and remains a strong revenue growth driver for Box. In the second quarter we saw customer upgrades and new logo wins driven by our enhanced Box AI solutions such as AI-driven multi-doc queries, Box AI content

generation using advanced models, AI-powered content portals with intelligent Hubs and automated controls and protections against threats and data leaks.

These Q2 wins demonstrate what I have heard from the hundreds of customer engagements in the quarter. Enterprises know that AI Agents are going to bring a new level of automation and deliver deeper business insights.

Software has historically been good for automating processes that deal with structured data—take payroll, CRM systems, accounting, HRIS, and supply chain workflows, this is where data fits neatly into rows and columns in a database.

But the vast majority of enterprise workflows revolve around unstructured data, which actually represents about 90% of our corporate information. These are the workflows that drive client onboarding at a bank, M&A deals getting closed, contracts getting agreed on, clinical research advances, and movies getting made and so much more. We've never been able to bring automation to these areas of work because they've been human-based, manual processes dealing primarily with unstructured data.

Now for the first time ever, we can bring automation to this work with AI Agents. With AI Agents operating on unstructured data, enterprises can now accelerate product development processes, automate end-to-end hiring and training workflows, surface insights and automate clinical studies, and speed up loan applications for better client engagement. We can imagine a future where there are over 100X more agents than people inside an organization—where any task you want done in a company is only a matter of how much compute you want to throw at the problem. You'll have agents running in the background, and in parallel, for any workflow around content that you can imagine.

However, most companies can't tap into the full power of AI Agents on their unstructured data because their enterprise content is fragmented or stuck in legacy repositories. And with this fragmentation, it means that AI Agents have no core source

of truth from which to answer questions about critical topics, it also means there's a risk that access controls are unmaintained which can lead to AI Agents leaking data to the wrong users. And finally it becomes a nightmare integrating systems that don't play nice with one another in the AI era.

With the Box Intelligent Content Management platform, customers have a single source of truth to power the critical workflows for their most important content, and with an AI platform that delivers agents built right in and integrated with all of our customers' agentic ecosystem. Importantly, Box AI Agents work directly on top of the workflows that customers have already built on Box, and we're only accelerating what these combined capabilities can deliver going forward.

We're already seeing the power of Box AI Agents with customers building Box AI agents that review and summarize documents, answer questions from a large set of data, and extract critical details from enterprise documents like contracts or invoices to orchestrate processes in legal, finance, healthcare, and more.

Now to build on this continued momentum, in Q2 we announced new updates to Box AI capabilities, including the general availability of Box's new Enhanced Extract Agent, and the beta launch of Box's MCP Server. These releases, along with key updates to the Box AI Admin Console, the Box AI Studio, and AI Units, empower users to operationalize AI with the confidence and control that businesses demand.

Our flexible and interoperable platform has been a major differentiator for Box and is just as important if not more critical in the age of AI. We partner with the broader AI model ecosystem to ensure customers have the choice of any model provider they want to work with. Being neutral to the AI models means that our customers get access to the best AI capabilities applied directly to their content. We have announced support for OpenAI's GPT-5, Anthropic's Claude 4.1, and xAI's [Grok 4](#) in the Box AI Studio, often on the day of launch of this new model. In addition to supporting these new models on our platform, we've integrated with the broader product and partner ecosystems: OpenAI

has integrated Box directly into ChatGPT for content access; Box partnered with Anthropic's Financial Analysis Solution; we served as a launch partner for Snowflake's Openflow capability, collaborated with AWS Bedrock AgentCore Runtime, and partnered with Salesforce as part of their MCP Partner Network.

We had a strong quarter of execution on our product roadmap and technology partnerships, but what I am most excited about is the journey ahead. We have quite the roadmap in store for the second half of the year.

First, we will be delivering all new workflow and no-code app capabilities to help customers automate their most critical workflows around content, enhanced by the power of AI Agents. We are making it easier than ever for companies to leverage Box to power their business processes, whether that is automating how they work with their contracts and digital assets or leases and clinical research.

Next, we are continuing to enhance productivity by bringing the full power of Box AI to Box's core collaboration features, we will introduce all new AI features within Box Notes, continued improvements for leveraging Box Hubs as an intelligent knowledge portal, and all new core Box AI experiences to make it easy for customers to interact with AI Agents and find information across their Box accounts no matter what they're looking for.

And, all of these AI Agent capabilities will be available via our API, so customers can take full advantage of summarizing, analyzing, and extracting data from their content in any partner application, like Salesforce Agentforce, ServiceNow Agent Fabric, Google's Agentspace, ChatGPT, Claude, Copilot, IBM's Watson X Orchestrate and more. And, with our newly GA-ed remote MCP server, customers can interact with the full Box API and AI agents as tools within their own AI-oriented application.

Finally, all of this is only possible because customers entrust Box with their most sensitive and important enterprise data. Especially in a world where AI Agents can

accidentally leak corporate data when security permissions are not maintained, Box's security functionality will become even more important for our customers. To continue to maintain and build that trust, we will advance our powerful security, governance, compliance, and data production capabilities with new features, core security improvements, Archive updates, and more.

We'll be sharing much more at this year's BoxWorks in San Francisco, and it's gearing up to deliver our biggest set of launches as a company.

Now, turning to Go-to-Market, we will be continuing to focus on driving the adoption of Enterprise Advanced. In Q2 we nearly doubled the amount of deals we closed over the prior quarter, exceeding our internal goals – and our pipeline continues to build nicely. Our pricing improvements for Enterprise Advanced over Enterprise Plus remains at or above our target of 20-40%.

As we've discussed, going to market with partners remains a critical part of our go-to-market strategy as we power more advanced solutions for customers. We continued to see notable partner-led wins with Enterprise Advanced as we go deeper into our customers' critical business processes. As we continue to grow our relationships with important partners worldwide, we are pleased to announce that Deloitte will be a title sponsor for BoxWorks 2025. Other notable sponsors include AWS, Google Cloud, IBM, Salesforce, Slalom and more.

Finally, I want to share our that our current CRO, Mark Wayland, has announced his retirement. We are incredibly grateful for Mark's role in scaling Box to over \$1 billion in annual revenue during his tenure, helping us navigate the launch of Suites, Enterprise Advanced, and much more. I'd like to share my deepest thanks to Mark for his incredible contributions over the past six years to Box, and for leading a smooth transition of the CRO role.

With that, we are excited to welcome Jeff Nuzum to Box as our new Chief Revenue Officer, heading our global sales org. Jeff is a highly regarded go-to-market executive

with over two decades of experience leading sales organizations in enterprise software, cloud infrastructure, and AI. Jeff is joining us from Google Cloud, where he spent over six years as a key leader driving the business' rapid growth and scale, driving new logo growth and significant customer expansions of their portfolio of cloud infrastructure and AI services. Jeff has also held various senior leadership roles at Oracle, SAP, and Workday. Jeff is a perfect fit for the next chapter of Box's growth to \$2B and beyond. He is joining us at a foundational moment for Box, as our platform evolves to deliver Intelligent Content Management into our customers most important workflows and processes, all powered by AI.

Now before I turn it over to Dylan, I want to share how we're operating as an AI-first company. The objective of going AI-first is simple: move faster and deliver more value to customers – we want to make decisions more effectively and quickly, drive more output, accelerate our roadmap, and better serve customers. To that end, we're equipping every Boxer with the skills and tools to be productive with AI, encouraging experimentation, scaling best practices across the company, and adding AI-first expectations in our hiring process. Across all of Box, we are using Box AI agents to augment our work in every area of the business: from how we train and enable new sales or support reps, to how we write product requirements or generate rapid account research with industry insights for each customer we sell to. AI Agents are being used all across Box to help accelerate our workflows and drive increased productivity.

We are incredibly excited about the opportunity ahead of us and we will be discussing many more of our advanced features and the future of Box and our Intelligent Content Management platform at our upcoming customer conference, BoxWorks 2025 on September 11<sup>th</sup> and 12<sup>th</sup> in San Francisco.

With that, let me turn the call over to Dylan.

### **Q2 Fiscal 2026 Financial Results; Q3 and Fiscal 2026 Guidance**

Thanks Aaron. Good afternoon everyone.



Q2 marked another quarter of strong execution as we exceeded guidance for all metrics, and delivered both double-digit short-term RPO growth and a sequential improvement in our net retention rate. We also made significant progress against our FY26 priorities. We advanced our leading Intelligent Content Management platform by enhancing our AI and agentic capabilities while investing in key go-to-market initiatives to drive Enterprise Advanced momentum. Finally, we're generating efficiencies across the business and we continue to execute on our disciplined capital allocation strategy. As Aaron discussed, we have a significant opportunity to transform how enterprises work with their content and our Q2 results demonstrate the power of our balanced financial model.

We delivered Q2 revenue of \$294 million, above the high end of our guidance. This accelerating growth was up 9% year-over-year, and up 7% in constant currency.

We now have nearly 2,000 customers paying us at least 100 thousand dollars annually, up 8% year-over-year. Suites customers now account for 63% of our revenue, up from 58% a year ago. This improvement was driven by momentum in Box AI and Enterprise Advanced, which enable more of our customers to adopt Box for higher value use cases.

We ended Q2 with remaining performance obligations, or RPO, of \$1.5 billion, a 16% year-over-year increase both as reported and in constant currency. Short-term RPO grew 12% year-over-year as reported and in constant currency. These results reflect the impact of Box AI adoption on our business, which is driving strong underlying business momentum and giving our customers the confidence to increasingly commit to multi-year contracts. We expect to recognize roughly 55% of our RPO over the next 12 months.

Q2 billings of \$265 million were up 3% year-over-year, and up 6% in constant currency. This growth exceeded our expectations of flat year-over-year billings, even as we absorbed an FX headwind of approximately 320 basis points versus our prior

expectations. Q2 billings strength was driven by a combination of Q2 bookings, early renewals, and outperformance in our Box Consulting business.

We ended Q2 with a net retention rate of 103%, an improvement from 102% in Q1 and in the year ago period. Our annualized full churn rate remained steady at 3%. We've been pleased to see customers upgrade and expand into our Enterprise Plus and Enterprise Advanced plans to gain access to our enterprise-grade AI and advanced workflow capabilities. As a result, our net retention rate continues to benefit from consistent price per seat increases, and we're now seeing net seat growth contribute more materially as well. We continue to expect a net retention rate of 103% exiting FY26.

Q2's gross margin was 81.4%. Excluding the tailwind from data center equipment sales in Q2 of last year, this represents an increase of 40 basis points year-over-year.

Q2 gross profit of \$239M was up 9% year-over-year, consistent with our revenue growth rate.

We delivered Q2 operating income of \$84M and operating margin of 28.6%, both above guidance and an improvement year-over-year, despite the tougher comparison due to data center equipment sales.

In Q2 we delivered EPS of 33 cents, 2 cents above the high end of our guidance.

I'll now turn to our cash flow and balance sheet.

In Q2 we generated free cash flow of \$36 million, and cash flow from operations of \$46 million, up 9% and 27% year-over-year, respectively.

We ended Q2 with \$760 million in cash, cash equivalents, restricted cash, and short-term investments.

In Q2, we repurchased 1.2 million shares for approximately \$40 million dollars. As of July 31, 2025, we had approximately \$112 million of remaining buyback capacity under our current share repurchase plan. We remain committed to opportunistically returning capital to our shareholders through our ongoing stock repurchase program.

With that, let me now turn to our Q3 and FY26 guidance.

As a reminder, approximately one third of our revenue is generated outside of the US, with roughly 65% of our international revenue coming from Japan.

Before providing guidance, I wanted to remind you of the tax impacts we mentioned on our last call. We expect that the non-cash deferred tax expenses will be a non-GAAP EPS headwind of 58 cents in FY26.

**For the third quarter of fiscal 2026:**

We expect Q3 revenue to be in the range of \$298 to \$299 million, representing approximately 8% year over year growth. This includes an expected tailwind from FX of approximately 80 basis points.

We anticipate our Q3 billings growth to be approximately 10%. This includes an expected tailwind from FX of approximately 200 basis points.

We expect Q3 gross margin to be approximately 81%.

We anticipate our Q3 non-GAAP operating margin to be approximately 28%, versus 29.1% a year ago. Note that in Q3 of last year, operating margin included a 70 basis point benefit from data center equipment sales. As a reminder, this year our annual customer conference, BoxWorks, has moved from Q4 to Q3. This shifts approximately

\$3 million in expenses into Q3, representing an additional 100 basis point headwind to operating margin when comparing to the year ago period.

We expect our Q3 non-GAAP EPS to be in the range of 31 cents to 32 cents, which includes an expected tailwind of approximately 1 cent from FX. Weighted-average diluted shares are expected to be approximately 150 million.

**For the full fiscal year ending January 31<sup>st</sup>, 2026:**

We are proud to have delivered strong first half results, driven by customer demand for our enterprise-grade AI capabilities, translating into the momentum we're seeing in Enterprise Plus and Enterprise Advanced.

As a result, we are raising our revenue expectations for the full year by \$5 million to \$1.170 to \$1.175 billion, an increase of approximately \$8 million dollars adjusting for currency movements since our prior guidance. This represents approximately 8% year-over-year growth, or 7% in constant currency. We now expect a tailwind of approximately 90 basis points from FX, 30 basis points lower than our previous expectations.

We still expect our FY26 billings growth rate to be approximately 9%. This includes a tailwind of approximately 230 basis points from FX, down from our previous expectations of a 340 basis point tailwind.

We expect FY26 gross margin to be approximately 81%. When adjusting for the impact from datacenter equipment sales last year, which also flows through to operating margin, this represents a year-over-year improvement of 40 basis points.

We expect our FY26 non-GAAP operating margin to be approximately 28%, including a tailwind of approximately 10 basis points from FX.

We now expect FY26 non-GAAP EPS to be in the range of \$1.26 to \$1.28, including an expected tailwind of approximately 4 cents from FX. This represents an increase of 3 cents versus our prior expectations, and an increase of 6 cents adjusting for currency movements since our previous guidance. Weighted-average diluted shares are expected to be approximately 150 million.

Our Q2 results demonstrate the strong business momentum we're seeing, driven by customer demand for Box AI and Enterprise Advanced. This year we will continue to invest in our Intelligent Content Management platform and key go-to-market initiatives, and our balanced financial model positions Box to capitalize on the AI-driven transformation ahead in enterprise content.

With that, Aaron and I will be happy to take your questions. Operator?