Box Inc.
Second Quarter Fiscal 2027
Conference Call Remarks
August 25, 2026

Introduction

Good afternoon and welcome to Box's Second Quarter Fiscal 2027 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. Supplemental slides are now available on our website.

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

- Our third quarter and full fiscal year 2027 financial guidance, and our expectations regarding our financial performance for fiscal 2027 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

- Our expectations regarding
    - the size of our market opportunity, including the growing opportunity driven by the increasing role of unstructured data and AI agents in the enterprise;
    - our planned investments, future product offerings, go-to-market initiatives and growth strategies;
    - the timing and market adoption of, and benefits from, our new products, solutions, and pricing models;
    - our ability to address enterprise challenges, including enabling organizations to automate critical workflows, and deliver value for our customers;
    - the benefits from our deepening partnerships with leading AI labs, hyperscalers, and system integrators; and
    - our capital allocation strategies, including potential repurchase of our common stock and future share count reductions.

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 25, 2026, 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.

Finally, please see our earnings deck, posted on our IR website, for a more detailed look at our Q3 and FY27 guidance.

Thank you.

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

Q2 Fiscal 2027 Overview

Thanks Cynthia. And thank you all for joining the call today.

Box delivered exceptional second quarter results, continuing the strong momentum we saw in Q1 and led by the rapid customer adoption of Enterprise Advanced. Second quarter revenue exceeded our guidance, growing 9% year-over-year or 11% in constant currency and produced operating margins of 29%. We drove a net retention rate of 106%, ahead of our expectations of 105%, driven by both price-per-seat increases and seat expansion.

Our Q2 billings growth of 17% year-over-year and RPO growth of 15% year-over-year reflect the success of our strategic investments in both go-to-market and product roadmap in delivering solutions to customers that address their most critical challenges in AI. Some examples of our Enterprise Advanced wins in the quarter included:

- A leading multinational investment bank upgraded from Enterprise Plus to Enterprise Advanced, transitioning its legacy file servers to the Box platform.

This deployment will expand its license to a wall-to-wall agreement, to deliver unstructured data insights across its global banking teams.

- A major federal agency upgraded from Enterprise Plus to Enterprise Advanced with a 4X seat expansion to replace its legacy contract lifecycle management and collaboration platforms. In partnership with Salesforce, Box will power secure, cloud-based CLM and document management across key legal and research divisions, replacing multiple SaaS vendors. This agency-wide modernization is enabled by Box's FedRAMP High compliance, our secure, identity-verified e-signatures, and Enterprise Advanced capabilities.

With record Q2 bookings, these wins and many others make it clear that our role in enabling enterprises to get the most out of their enterprise content and transform in the era of AI is becoming increasingly significant.

During the second quarter, I spoke with many enterprise technology leaders who highlighted their primary goals and challenges in implementing AI. One of the most common topics is how enterprises can get the right context to AI agents in a secure and governed way, as well as tap into the full value of their unstructured data. To do this, enterprises need a secure platform that can connect all the intelligence and capabilities of AI models to enterprise content and workflows.

The world's most advanced superintelligence is only as useful as the underlying enterprise knowledge and corporate information that it has access to. Instead of companies sitting on millions or hundreds of millions of files that they know very little about, with AI Agents, they can now ask questions about this data, mine it all for intelligence, and automate nearly any workflow that involves this enterprise content. This is the Intelligent Content Management platform we are building.

These technology leaders that I am speaking with are also recognizing that as AI model capabilities advance rapidly across an expanding set of vendors, like OpenAI, Google, Anthropic, Meta, xAI, NVIDIA, and more, enterprises will need a model-neutral platform that connects their content and workflows to these models and agents securely. With AI costs continuing to rise, the ability to draw the right cost-performance mix with any vendor becomes essential. Rather than migrating content and workflows into separate systems to unlock AI's benefits, our Intelligent Content Management platform gives enterprises a single platform where they can swap models or agents on their content at any time securely.

Box is at the center of the greatest transformation in how enterprises work, and we're continuing to drive our product and go-to-market strategies to take full advantage of this massive opportunity.

Building on our product leadership, in the second quarter we announced a range of new capabilities that help customers transform the value of their content with AI.

We introduced new security capabilities designed to give organizations greater control over AI agents working with their enterprise content. With new agent guardrails, third-party agent activity oversight, prompt injection detection, agent classification-based access policies, and more, customers will be able to extend Box's enterprise-grade security controls to both Box Agents and third-party agents, such as Claude, ChatGPT, and Gemini and more

To support our headless initiatives, Box announced new MCP integrations with Anthropic's Claude for Legal, Databricks, Harvey, IBM's Watsonx Orchestrate Agent Catalog, Notion Custom Agents, Slack's Slackbot, and SpaceXAI's Grok.

Box partnered with Anthropic as a launch partner for Claude's new legal industry solutions, using the Box MCP server as the secure governance layer for agentic legal work. New MCP tools now let Claude execute multi-step matter operations directly in Box, copying and uploading files, tagging metadata, and managing collaborator access, turning Claude from a Q&A chatbot into an active practice agent. All actions stay governed by the firm's existing Box permissions and ethical walls, avoiding the "governance gap" of moving sensitive client data into unsanctioned tools.

Earlier this month, we announced the release of the Box MCP Server for Databricks, now available in the Databricks Marketplace. This integration lets data analysts, scientists, and engineers combine, connect, and query unstructured content from Box, including their contracts, clinical records, financial assets, and specifications, alongside structured sources like CRM and ERP, all without duplicating data or moving it outside of Box's secure governance boundary. This unlocks use cases across industries, from healthcare teams spotting care gaps by combining clinical records with referral and billing data, to financial services firms accessing borrower and covenant risk by joining loan documents with banking data.

Now, as we look further into the second half of FY27, we're continuing to drive significant innovation across our platform to help enterprises maximize the value of their content in the era of AI.

Building on the momentum of Box Automate, Box Extract, and Box Apps, our platform is evolving into a premier agentic workflow automation system designed to streamline critical content processes like client onboarding, contract reviews, brand asset verification, supply chain automation, and thousands of other workflows in an enterprise. Additionally, we're advancing Box Extract to help power complex document extraction needs across a range of industries from financial services to life sciences. Our model-neutral agentic harness ensures that customers can both improve the accuracy of this extraction and lower their costs by choosing exactly the right model they need for any document type.

Box is also modernizing its core content management infrastructure. With improvements in metadata management, large file support, and file system capabilities, we are paving the way for enterprises to retire legacy, on-premise ECM systems and migrate their unstructured data to a secure, cloud-native platform where it can be easily accessed by AI. In Q2, we've continued to see more and more enterprises look to migrate off their legacy ECM systems in favor of a modern, AI-driven approach.

At Box, we're also optimizing our developer ecosystem to support AI agents working with enterprise content at scale, and introducing new tools and improvements such as an enhanced MCP server, deeper integrations with leading agents like Claude, ChatGPT, Copilot, and Salesforce Agentforce, and improved context-retrieval search APIs, which will allow developers to securely connect enterprise content to AI agents. We're focused on delivering the world's best headless experiences for working with enterprise content securely across any AI Agents, and monetizing this usage through AI units and API volume.

Finally, all of these innovations are anchored by Box's industry-leading security and compliance foundation. As we recently saw with the OpenAI HuggingFace incident, enterprises will increasingly need platforms that can securely protect their corporate data and ensure that neither humans nor agents can get access to information they shouldn't have access to. As external AI agents interact with enterprise data, Box is implementing robust guardrails, comprehensive audit logs, and real-time security alerts to ensure content remains protected, governed, and visible at all times. We'll continue to deliver industry-leading data protection and governance capabilities to help ensure the security of unstructured data in an enterprise.

We will be sharing much more about our product roadmap at this year's BoxWorks in San Francisco in early November, where we'll be making major product announcements. We will hear directly from customers taking advantage of the Box platform, and hear directly from our partners, including the CEO of NVIDIA Jensen

Huang, Lip Bu Tan, the CEO of Intel, and Michael Truell, CEO and co-founder of Cursor.

Next, for our go-to-market (GTM) strategy we remain focused on accelerating the adoption of Enterprise Advanced, enabling customers to power their intelligent workflows with content while driving the growth of platform revenue.

To win in key industries, such as financial services, life sciences, government, education, media and entertainment, legal, and other key verticals, we will continue to deepen our vertical-specific marketing, sales motions, collateral, solutions, and ecosystem partnerships. We are also expanding our FDE, or Forward Deployed Engineering efforts, to ensure that customers can successfully implement and tune AI agents on their enterprise content, for everything from document processing and agentic content workflows.

Additionally, we are expanding our systems integrator ecosystem, collaborating with vertical, regional, and global SIs to embed our platform deeper into enterprises' critical content workflows. Finally, our partnerships with major hyperscalers, like Amazon and Google, will be central to expanding our enterprise distribution and enablement.

In the second quarter we continued to see strong momentum in customer wins enabled by these partners, a critical part of our go-to-market strategy.

- In partnership with DataBank, a leading insurance provider has adopted Box Enterprise Advanced with Shield Pro and purchased additional AI units to drive a comprehensive platform modernization. This deployment leverages Box Platform APIs, Box Sign APIs, and Box AI to connect Box directly into the firm's custom middleware and core systems, including Guidewire. This positions the insurance provider to modernize more than 100TB of content, retire multiple legacy platforms, and integrate Box AI across high-volume workflows like mailroom and policy processing.

- Working with Slalom, a large U.S. state DMV upgraded from Enterprise Plus to Enterprise Advanced and purchased additional AI Units as the foundation for a new intelligent document processing initiative. This agency is replacing a costly legacy document processing system with classification and metadata extraction powered by Box AI. The solution will extract key information from identity documents at scale and automatically populate Salesforce records associated with each driver profile, streamlining license applications and renewals across the state.

At Box, we have an extraordinary opportunity to serve as the defining platform for securing, managing, governing, and applying intelligence to unstructured enterprise data at scale. Nearly all mission-critical workflow, such as processing regulatory data, automating insurance claims with AI, reviewing legal contracts, managing aviation research, or facilitating collaboration in pharma are all fundamentally powered by enterprise content. Our Intelligent Content Management platform sits squarely at the center of these vital business processes.

We're incredibly excited at Box about the market transformation happening right now due to AI, and we have the team, technology, and the customer base to fundamentally take advantage of this massive opportunity. Now, let me turn the call over to Dylan.

Q2 Fiscal 2027 Financial Results; Q3 and Fiscal 2027 Guidance

Thanks Aaron, and good afternoon everyone.

We had another very strong quarter in Q2, driven by record Q2 bookings and increasing Box AI adoption. As a result, we exceeded guidance across all top and bottom line results, delivering our fifth consecutive quarter of accelerating revenue growth in constant currency. As Aaron discussed, we advanced our leading Intelligent Content Management platform by deepening our AI and agentic capabilities while investing in key go-to-market initiatives to drive continued Enterprise Advanced momentum.

Q2 revenue of $321 million was up 9% year-over-year and up 11% in constant currency, exceeding our guidance. Customers paying us at least $100K annually grew by 10% year-over year. Suites customers now account for 69% of revenue, up from 63% a year ago.

We ended Q2 with remaining performance obligations, or RPO, of $1.7 billion, a 15% year-over-year increase, or 17% in constant currency. Both short-term and long-term RPO accelerated sequentially, with short-term RPO up 11% year-over-year and up 14% in constant currency. We expect to recognize roughly 55% of our RPO over the next 12 months.

Q2 billings of $310 million were very strong, growing by 17% year-over-year, or 16% in constant currency. This result exceeded our expectations for low double-digit growth, with the outperformance driven primarily by Q2 bookings strength.

In Q2 our net retention rate improved to 106%, above our guidance of 105%, and up from 103% in the year-ago period. Our annualized full churn rate remained at 3%. This outperformance was driven by continued improvement in our seat expansion rate, as well as the impact of very strong net retention results within our Enterprise Advanced customer base, which exceeded our overall net retention rate. We now expect our net retention rate to be 106% exiting FY 2027.

We delivered Q2 gross margin of 81.2%, in line with our expectations.

Operating income of $95 million resulted in operating margin expansion of 90 basis points from the year-ago period to 29.4%, which reflects a 100-basis point headwind from FX. This was above our guidance of 28.5%.

In Q2 we delivered EPS of $0.40, which was above our guidance of $0.39. This includes an FX headwind of 4 cents, 1 cent higher than our prior expectations.

Turning to our cash flow and balance sheet:

In Q2, we generated free cash flow of $60 million and cash flow from operations of $71 million, up 67% and 54% year-over-year, respectively. These results were driven by strong linearity, allowing us to collect a healthy portion of our Q2 bookings within the quarter.

We ended Q2 with $446 million in cash, cash equivalents, restricted cash, and short-term investments.

In Q2, we repurchased 2.6 million shares for approximately $66 million. As of July 31, 2026, we had approximately $378 million of remaining buyback capacity under our current share repurchase plan.

With that, let me now turn to our Q3 and updated FY 2027 guidance.

Note that our second half expenses will be more weighted toward Q4 versus our typical seasonality due to the expected impacts from BoxWorks occurring in Q4 this year, as well as the recent extension of our Redwood City headquarters lease.

For the third quarter of fiscal 2027:

We expect Q3 revenue to be approximately $329 million, representing approximately 9% year-over-year growth, or 11% in constant currency.

We anticipate Q3 billings growth rate to be roughly in-line with revenue growth of 9%, which includes an expected tailwind from FX of approximately 70 basis points.

We expect Q3 gross margin to be approximately 80.5%.

We anticipate Q3 operating margin to be approximately 28%, which includes an expected headwind from FX of approximately 80 basis points.

We expect Q3 EPS to be approximately 39 cents, which includes an expected headwind from FX of approximately 2 cents.

Weighted average diluted shares are expected to be approximately 142 million.

For the full fiscal year ending January 31, 2027:

We are raising our revenue expectations for the full year by $10 million to approximately $1.29 billion, representing 10% year-over-year growth, or 11% in constant currency.

We expect our FY27 billings growth to be roughly in-line with revenue growth. This includes an expected headwind of approximately 150 basis points from FX.

We expect FY27 gross margin to be approximately 80.5%, with Q4 gross margin expected to be roughly 80%. This reflects the strong and growing adoption of Box's platform and Box AI, as well as the capacity dynamics of our public cloud providers.

We continue to expect FY27 operating margin to be approximately 28%, which includes an expected headwind from FX of 80 basis points. This reflects our ongoing focus on delivering operational efficiencies even as we continue to invest in driving durable revenue growth.

We now expect FY27 EPS of approximately $1.54, which includes an expected headwind from FX of approximately 9 cents. Adjusting for the impact of the currency and share count movements versus our previous expectations, this represents an increase of 1 cent versus our prior guidance.

Weighted average diluted shares are expected to be approximately 141 million. This represents a significant reduction from 149 million shares in the prior year, as we continue to execute our disciplined capital allocation strategy.

The $10 million raise to our revenue expectations this year reflects continued momentum across the business, with demand for Box AI and the growing adoption of Enterprise Advanced driving continued acceleration in our revenue growth rate and continued improvements in our net retention rate. As Box's Intelligent Content Management platform is increasingly becoming the foundation enterprises rely on to securely unlock AI's value across their content, Box is well positioned to drive durable, long-term growth.

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