UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended April 30, 2020

OR

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

For the transition period from to

Commission File Number 001-36805

Box, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**20-2714444**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

900 Jefferson Ave.
Redwood City, California 94063
(Address of principal executive offices and Zip Code)

(877) 729-4269
(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

As of May 29, 2020, the number of shares of the registrant's Class A common stock outstanding was 153,452,800.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- our future financial and operating results; including expectations regarding revenues, deferred revenue, billings, remaining performance obligations, gross margins and operating income;
- our ability to maintain an adequate rate of revenue and billings growth and our expectations regarding such growth;
- our market opportunity, business plan and ability to effectively manage our growth;
- our ability to achieve profitability and expand or maintain positive cash flow;
- our ability to achieve our long-term margin objectives;
- our ability to grow our unrecognized revenue and remaining performance obligations;
- our expectations regarding our revenue mix;
- costs associated with defending intellectual property infringement and other claims and the frequency of such claims;
- our ability to attract and retain end-customers;
- our ability to further penetrate our existing customer base;
- our expectations regarding our retention rate;
- our ability to displace existing products in established markets;
- our ability to expand our leadership position as a cloud content management platform;
- our ability to timely and effectively scale and adapt our existing technology;
- our ability to innovate new products and features and bring them to market in a timely manner and the expected benefits to customers and potential customers of our products;
- our investment strategy, including our plans to further invest in our business, including investment in research and development, sales and marketing, our data center infrastructure and our professional services organization, and our ability to effectively manage such investments;
- our ability to expand internationally;
- expectations about competition and its effect in our market and our ability to compete;
- the effects of seasonal trends on our operating results;
- use of non-GAAP financial measures;
- our belief regarding the sufficiency of our cash, cash equivalents and our credit facilities to meet our working capital and capital expenditure needs for at least the next 12 months;
- our expectations concerning relationships with third parties;
- our ability to attract and retain qualified employees and key personnel;
- our ability to realize the anticipated benefits of our partnerships with third parties;

- the effects of new laws, policies, taxes and regulations on our business;
- management's plans, beliefs and objectives, including the importance of our brand and culture on our business;
- our ability to maintain, protect and enhance our brand and intellectual property;
- future acquisitions of or investments in complementary companies, products, services or technologies and our ability to successfully integrate such companies or assets; and
- the impact of public health epidemics or pandemics, such as the COVID-19 pandemic, and governmental responses thereto.

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

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

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

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

BOX, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	April 30, 2020 (unaudited)	January 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 267,973	$ 195,586
Accounts receivable, net of allowance of $5,700 and $3,221	99,067	209,434
Prepaid expenses and other current assets	28,887	21,865
Deferred commissions	31,300	30,841
Total current assets	427,227	457,726
Property and equipment, net	192,025	190,976
Operating lease right-of-use assets, net	215,663	197,806
Goodwill	18,740	18,740
Deferred commissions, non-current	61,839	62,762
Other long-term assets	33,419	31,981
Total assets	$ 948,913	$ 959,991
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 8,799	$ 16,752
Accrued compensation and benefits	16,491	32,516
Accrued expenses and other current liabilities	31,666	25,700
Finance lease liabilities	52,486	54,634
Operating lease liabilities	47,830	40,339
Deferred revenue	353,928	407,493
Total current liabilities	511,200	577,434
Debt, non-current	70,000	40,000
Finance lease liabilities, non-current	82,933	83,427
Operating lease liabilities, non-current	217,127	206,141
Deferred revenue, non-current	14,421	16,356
Other long-term liabilities	12,384	14,276
Total liabilities	908,065	937,634
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred stock, par value $0.0001 per share; 100,000 shares authorized, no shares issued and outstanding as of April 30 (unaudited) and January 31, 2020	—	—
Class A common stock, par value $0.0001 per share; 1,000,000 shares authorized; 153,446 shares (unaudited) and 150,611 shares issued and outstanding as of April 30 and January 31, 2020, respectively	15	15
Additional paid-in capital	1,347,445	1,302,072
Treasury stock	(1,177)	(1,177)
Accumulated other comprehensive loss	(1,639)	(307)
Accumulated deficit	(1,303,796)	(1,278,246)
Total stockholders' equity	40,848	22,357
Total liabilities and stockholders' equity	$ 948,913	$ 959,991

See notes to condensed consolidated financial statements.

BOX, INC.

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

	Three Months Ended April 30,	
	2020	2019
Revenue	$ 183,561	$ 162,974
Cost of revenue	53,995	48,684
Gross profit	129,566	114,290
Operating expenses:		
Research and development	53,114	46,244
Sales and marketing	72,750	78,820
General and administrative	27,942	24,607
Total operating expenses	153,806	149,671
Loss from operations	(24,240)	(35,381)
Interest expense, net	(1,367)	(68)
Other income (loss), net	264	(880)
Loss before provision for income taxes	(25,343)	(36,329)
Provision for income taxes	207	499
Net loss	$ (25,550)	$ (36,828)
Net loss per share, basic and diluted	$ (0.17)	$ (0.25)
Weighted-average shares used to compute net loss per share, basic and diluted	151,943	145,275

See notes to condensed consolidated financial statements.

BOX, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)
(Unaudited)

	Three Months Ended April 30, 2020	Three Months Ended April 30, 2019
Net loss	$ (25,550)	$ (36,828)
Other comprehensive (loss) income*:		
Changes in foreign currency translation adjustment	(152)	88
Changes in unrealized loss on cash flow hedge	(1,180)	—
Other comprehensive (loss) income	(1,332)	88
Comprehensive loss	$ (26,882)	$ (36,740)

* Tax effect was not material

See notes to condensed consolidated financial statements.

BOX, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)
(Unaudited)

	Three Months Ended April 30, 2020						
	Class A Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount					
Balance as of January 31, 2020	150,611	$ 15	$ 1,302,072	$ (1,177)	$ (307)	$ (1,278,246)	$ 22,357
Issuance of common stock upon stock option exercises	222	—	965	—	—	—	965
Stock-based compensation related to stock awards	—	—	42,766	—	—	—	42,766
Vesting of restricted stock units, net of shares withheld for employee payroll taxes	1,331	—	—	—	—	—	—
Employee payroll taxes withheld related to vesting of restricted stock units	—	—	(10,264)	—	—	—	(10,264)
Common stock issued under employee stock purchase plan	1,282	—	11,906	—	—	—	11,906
Other comprehensive loss	—	—	—	—	(1,332)	—	(1,332)
Net loss	—	—	—	—	—	(25,550)	(25,550)
Balance as of April 30, 2020	153,446	$ 15	$ 1,347,445	$ (1,177)	$ (1,639)	$ (1,303,796)	$ 40,848

	Three Months Ended April 30, 2019						
	Class A Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount					
Balance as of January 31, 2019	144,311	$ 14	$ 1,166,443	$ (1,177)	$ 23	$ (1,133,898)	$ 31,405
Issuance of common stock upon stock option exercises	152	—	1,213	—	—	—	1,213
Stock-based compensation related to stock awards	—	—	35,678	—	—	—	35,678
Vesting of restricted stock units, net of shares withheld for employee payroll taxes	1,205	1	—	—	—	—	1
Employee payroll taxes withheld related to vesting of restricted stock units	—	—	(14,624)	—	—	—	(14,624)
Common stock issued under employee stock purchase plan	829	—	13,605	—	—	—	13,605
Other comprehensive income	—	—	—	—	88	—	88
Net loss	—	—	—	—	—	(36,828)	(36,828)
Balance as of April 30, 2019	146,497	$ 15	$ 1,202,315	$ (1,177)	$ 111	$ (1,170,726)	$ 30,538

See notes to condensed consolidated financial statements.

BOX, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended April 30, 2020	Three Months Ended April 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (25,550)	$ (36,828)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	17,946	12,625
Stock-based compensation expense	40,043	32,362
Amortization of deferred commissions	8,159	5,639
Others	74	(147)
Changes in operating assets and liabilities:		
Accounts receivable, net	110,367	81,475
Deferred commissions	(7,695)	(6,076)
Operating lease right-of-use assets, net	9,713	8,560
Prepaid expenses and other assets	(4,925)	(4,382)
Accounts payable	(6,992)	(3,187)
Accrued expenses and other liabilities	(12,721)	(11,827)
Operating lease liabilities	(11,002)	(8,127)
Deferred revenue	(55,500)	(44,596)
Net cash provided by operating activities	61,917	25,491
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,443)	(1,614)
Capitalized internal-use software costs	(3,291)	(1,286)
Proceeds from sales of property and equipment	36	3
Proceeds from the sale of a strategic equity investment	107	—
Net cash used in investing activities	(4,591)	(2,897)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	30,000	—
Proceeds from exercise of stock options	965	1,199
Proceeds from issuances of common stock under employee stock purchase plan	11,906	13,605
Employee payroll taxes paid related to net share settlement of restricted stock units	(10,212)	(14,591)
Principal payments of finance lease liabilities	(17,356)	(9,154)
Net cash provided by (used in) financing activities	15,303	(8,941)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	200	27
Net increase in cash, cash equivalents, and restricted cash	72,829	13,680
Cash, cash equivalents, and restricted cash, beginning of period	195,586	217,756
Cash, cash equivalents, and restricted cash, end of period	$ 268,415	$ 231,436
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest, net of amounts capitalized	$ 2,245	$ 1,152
Cash paid for income taxes, net of tax refunds	538	1,444
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Accrued equipment purchases	$ 6,430	$ 3,773
Increase in long-lived assets resulting from capitalizing asset retirement costs	197	2,706
Stock-based compensation expense capitalized in internally developed software costs	970	1,000
Accrued on-premises software	770	—
Increase in finance lease liabilities	14,825	21,414
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH INFORMATION:		
Cash and cash equivalents, beginning of period	$ 195,586	$ 217,518
Restricted cash, beginning of period	—	238
Cash, cash equivalents, and restricted cash, beginning of period	$ 195,586	$ 217,756
Cash and cash equivalents, end of period	$ 267,973	$ 231,436
Restricted cash, end of period	442	—
Cash, cash equivalents, and restricted cash, end of period	$ 268,415	$ 231,436

See notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Description of Business and Basis of Presentation

Description of Business

We were incorporated in the state of Washington in April 2005, and were reincorporated in the state of Delaware in March 2008. We changed our name from Box.Net, Inc. to Box, Inc. in November 2011. Box provides a leading cloud content management platform that enables organizations of all sizes to securely manage cloud content while allowing easy, secure access and sharing of this content from anywhere, on any device.

Basis of Presentation

The accompanying condensed consolidated balance sheet as of April 30, 2020 and the condensed consolidated statements of operations, the condensed consolidated statements of comprehensive loss, the condensed consolidated statements of stockholders' equity, and the condensed consolidated statements of cash flows for the three months ended April 30, 2020 and 2019, respectively, are unaudited. The condensed consolidated balance sheet data as of January 31, 2020 was derived from the audited consolidated financial statements that are included in our Annual Report on Form 10-K for the fiscal year ended January 31, 2020 (the Form 10-K), which was filed with the Securities and Exchange Commission (the SEC) on March 19, 2020. The accompanying statements should be read in conjunction with the audited consolidated financial statements and related notes contained in our Form 10-K. Other than items discussed under *Use of Estimates* and *Recently Adopted Accounting Pronouncements*, there have been no other material changes to our critical accounting policies and estimates during the three months ended April 30, 2020 from those disclosed in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our Form 10-K.

The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information. Accordingly, they do not include all of the financial information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of our management, the unaudited condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements in the Form 10-K, and include all adjustments necessary for the fair presentation of our balance sheet as of April 30, 2020, and our results of operations, including our comprehensive loss, our stockholders' equity, and our cash flows for the three months ended April 30, 2020 and 2019. All adjustments are of a normal recurring nature. The results for the three months ended April 30, 2020 are not necessarily indicative of the results to be expected for any subsequent quarter or for the fiscal year ending January 31, 2021.

Certain prior period amounts reported in our condensed consolidated financial statements and notes thereto have been reclassified to conform to the current year presentation. Such reclassifications did not affect total revenues, operating income, or net income.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make, on an ongoing basis, estimates and assumptions that affect the amounts reported and disclosed in the financial statements and the accompanying notes. Actual results could differ from these estimates. Such estimates include, but are not limited to, the determination of the allowance for accounts receivable, fair value of acquired intangible assets and goodwill, useful lives of acquired intangible assets and property and equipment, timing and costs associated with our asset retirement obligations, the nature and timing of satisfaction of performance obligations, estimate of standalone selling price allocation included in contracts with multiple performance obligations, the estimated expected benefit period for deferred commissions, the estimated useful life of capitalized internal-use software costs, observable price changes of non-marketable equity securities, fair value of derivative instruments, the incremental borrowing rate we use to determine our lease liabilities, fair values of stock-based awards, legal contingencies, the valuation of deferred income tax assets, and unrecognized tax benefits, among others. Management bases its estimates on historical experience and on various other assumptions which management believes to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

Certain Risks and Concentrations

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

We sell to a broad range of customers. Our revenue is derived substantially from the United States across a multitude of industries. Accounts receivable are derived from the delivery of our services to customers primarily located in the United States. We accept and settle our accounts receivable using credit cards, electronic payments and checks. A majority of our lower dollar value invoices are settled by credit card on or near the date of the invoice. We do not require collateral from customers to secure accounts receivable. We maintain an allowance for doubtful accounts based upon the expected collectability, which takes into consideration specific customer creditworthiness and current economic trends. We believe collections of our accounts receivable are probable based on the size, industry diversification, financial condition and past transaction history of our customers. As of April 30, 2020 and January 31, 2020, one reseller, which is also a customer, accounted for more than 10% of total accounts receivable. No single customer represented over 10% of revenue for the three months ended April 30, 2020. One reseller, which is also a customer, represented 10% of our revenue for the three months ended April 30, 2019.

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

Geographic Locations

For the three months ended April 30, 2020 and 2019, revenue attributable to customers in the United States was 73% and 76%, respectively. For the three months ended April 30, 2020, revenue attributable to customers in Japan was 13%. No country outside of the United States comprised 10% or greater of our revenue for the three months ended April 30, 2019.

Substantially all of our net assets are located in the United States. As of April 30, 2020 and January 31, 2020, property and equipment located in the United States was approximately 95% and 94%, respectively.

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses*. ASU 2016-13 replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. For trade receivables, loans, and other financial instruments, we are required to use a forward-looking expected loss model rather than the incurred loss model for recognizing credit losses which reflects losses that are probable. We adopted the new standard, effective February 1, 2020, and the adoption did not have a material impact on our consolidated financial statements.

Recently Issued Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, *Income Taxes*. ASU 2019-12 simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and by improving consistent application of other areas of Topic 740. The new standard is effective for us beginning February 1, 2021, with early adoption permitted. We are currently evaluating the impact of the provisions of this new standard on our consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848)*. Reference rate reform refers to the global transition away from certain reference rates, such as the London Interbank Offered Rate (LIBOR), and to the introduction of new reference rates that are based on a larger and more liquid population of observable transactions. ASU 2020-04 provides temporary optional expedients and exceptions for applying U.S. GAAP to contracts and hedging relationships that reference LIBOR or another reference rate expected to be discontinued as a result of reference rate reform. The amendments in this ASU were effective upon issuance and may be applied through December 31, 2022. We are currently evaluating the impact of the expedients and exceptions of this new standard on our November 2017 Facility and our hedging relationships that reference LIBOR.

Summary of Significant Accounting Policies

Other than items discussed under *Use of Estimates* and *Recently Adopted Accounting Pronouncements*, there have been no material changes to our critical accounting policies during the three months ended April 30, 2020 from those disclosed in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our Form 10-K for the fiscal year ended January 31, 2020.

Note 2. Revenue

Contract Assets

Contract assets, which are presented within accounts receivable, were not material as of April 30, 2020 and January 31, 2020.

Deferred Revenue

Deferred revenue was $368.3 million and $423.8 million as of April 30, 2020 and January 31, 2020, respectively. During the three months ended April 30, 2020 and 2019, we recognized $154.4 million and $134.4 million of revenue that was included in the deferred revenue balance as of January 31, 2020 and 2019, respectively.

Transaction Price Allocated to the Remaining Performance Obligations

As of April 30, 2020, we had remaining performance obligations for subscription contracts of $722.7 million. We expect to recognize 65% of these remaining performance obligations as revenue over the next 12 months, with the balance recognized thereafter.

Disaggregation of Revenues

For the three months ended April 30, 2020 and 2019, revenue attributable to customers in the United States was 73% and 76%, respectively. For the three months ended April 30, 2020, revenue attributable to customers in Japan was 13%. No country outside of the United States comprised 10% or greater of our revenue for the three months ended April 30, 2019.

Note 3. Fair Value Measurements

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

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

Investments

Financial assets subject to the fair value disclosure requirements were as follows (in thousands):

	April 30, 2020			
	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	$ 67,758	$ —	$ —	$ 67,758
Certificates of deposit	—	20,000	—	20,000
Total cash equivalents	$ 67,758	$ 20,000	$ —	$ 87,758

	January 31, 2020			
	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	$ 43,558	$ —	$ —	$ 43,558
Certificates of deposit	—	20,000	—	20,000
Total cash equivalents	$ 43,558	$ 20,000	$ —	$ 63,558

Derivative Instruments and Hedging

In association with our debt described in Note 7, we are required to make variable rate interest payments based on a contractually specified interest rate index (e.g., LIBOR). The variable rate interest payments create interest rate risk as interest payments will fluctuate based on changes in the contractually specified interest rate index over the life of the loan. To minimize our risk exposure due to the volatility of the interest rate index, we entered into an interest rate swap agreement with Wells Fargo Bank, National Association, effective as of September 5, 2019 (Swap Agreement). This agreement, which is designated as a cash flow hedge, has a maturity of five years. Under the Swap Agreement, we have hedged a portion of the variable interest payments by effectively fixing our interest payments over the term of the agreement. As of April 30, 2020, our interest rate swap had a notional value of $30.0 million.

We classify our interest rate swap hedge agreement within Level 2. As of April 30, 2020, the net unrealized loss of the interest rate swap, which is included in accrued expenses and other current liabilities and accumulated other comprehensive loss in our condensed consolidated balance sheet, was $1.4 million. As of January 31, 2020, the net unrealized loss of the interest rate swap was not material. During the three months ended April 30, 2020, the net derivative loss within accumulated other comprehensive loss reclassified into earnings was not material and we estimate that the amount to be reclassified from accumulated other comprehensive loss into earnings within the next 12 months will not be material.

Note 4. Balance Sheet Components

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following (in thousands):

	April 30, 2020	January 31, 2020
Prepaid expenses	$ 22,091	$ 16,416
Capitalized qualifying implementation costs incurred in a hosting arrangement that is a service contract, net of amortization (1)	1,143	1,202
Other current assets	5,653	4,247
Total prepaid expenses and other current assets	$ 28,887	$ 21,865

(1) Capitalized stock-based compensation expense and the amortization of the capitalized costs were not material for the periods presented. We have not recorded any related impairment charges during the periods presented.

Property and Equipment, Net

Property and equipment, net consisted of the following (in thousands):

	April 30, 2020	January 31, 2020
Servers and related equipment	$ 322,388	$ 312,369
Leasehold improvements	80,354	79,979
Computer hardware	24,235	23,086
Furniture and fixtures	14,286	14,192
Construction in progress	24,056	18,370
Total property and equipment	465,319	447,996
Less: accumulated depreciation	(273,294)	(257,020)
Total property and equipment, net	$ 192,025	$ 190,976

As of April 30, 2020, the gross carrying amount of property and equipment included $226.5 million of servers and related equipment and $20.0 million of construction in progress acquired under finance leases, and the accumulated depreciation of property and equipment acquired under these finance leases was $111.0 million. As of January 31, 2020, the gross carrying amount of property and equipment included $216.4 million of servers and related equipment and $16.3 million of construction in progress acquired under finance leases, and the accumulated depreciation of property and equipment acquired under these finance leases was $98.0 million.

Depreciation expense related to property and equipment was $16.4 million and $12.6 million for the three months ended April 30, 2020 and 2019, respectively. Included in these amounts were depreciation expense for servers and related equipment acquired under finance leases in the amount of $13.1 million and $8.6 million, for the same periods respectively. Construction in progress primarily consists of servers and networking equipment and storage infrastructure being provisioned in our data center facilities. Interest capitalized to property and equipment was not material for the periods presented.

Operating Lease Right-of-Use Assets, Net

Operating lease right-of-use assets, net consisted of the following (in thousands):

	April 30, 2020	January 31, 2020
Operating lease right-of-use assets	$ 260,825	$ 233,255
Less: accumulated amortization	(45,162)	(35,449)
Operating lease right-of-use assets, net	$ 215,663	$ 197,806

Other Long-term Assets

Other long-term assets consisted of the following (in thousands):

	April 30, 2020	January 31, 2020
Deposits, noncurrent	$ 2,772	$ 2,726
Internally developed software costs, net of amortization (1) (2)	16,199	14,521
On-premises software, net of amortization (2) (3)	10,425	10,594
Other assets, noncurrent	4,023	4,140
Other long-term assets	$ 33,419	$ 31,981

(1) Included in these amounts were $5.6 million and $5.0 million in capitalized stock-based compensation expense as April 30, 2020 and January 31, 2020, respectively.

(2) The accumulated amortization of capitalized software costs in the aggregate was $3.6 million and $1.7 million as of April 30, 2020 and January 31, 2020, respectively. Amortization expense related to capitalized software was $1.9 million for the three months ended April 30, 2020 and was not material for the three months ended April 30, 2019.

(3) The estimated useful lives of on-premises software range from three to four years.

Note 5. Leases

We have entered into various non-cancellable operating lease agreements for certain of our offices and data centers with lease periods expiring primarily between fiscal years 2022 and 2029. Certain of these arrangements have free or escalating rent payment provisions and optional renewal or termination clauses. Our operating leases typically include variable lease payments, which are primarily comprised of common area maintenance and utility charges for our offices and power and network connections for our data centers, that are determined based on actual consumption. Our operating lease agreements do not contain any residual value guarantees, covenants, or other restrictions.

We also entered into various finance lease arrangements to obtain servers and related equipment for our data center operations. These agreements are primarily for four years and certain of these arrangements have optional renewal or termination clauses. The leases are secured by the underlying leased servers and related equipment.

We sublease certain floors of our Redwood City, San Francisco, and London offices. Our current subleases have total lease terms ranging from 31 to 96 months that will expire at various dates by fiscal year 2025.

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

	Three Months Ended April 30, 2020	Three Months Ended April 30, 2019
Finance lease cost:		
Amortization of finance lease right-of-use assets	$ 13,106	$ 8,623
Interest on finance lease liabilities	1,526	685
Operating lease cost, gross	13,117	11,791
Variable lease cost, gross	2,724	2,868
Sublease income	(2,808)	(2,764)
Total lease cost (1)	$ 27,665	$ 21,203

(1) Short-term lease cost was not material for the periods presented and is not included in the table above.

Supplemental cash flow information related to leases was as follows (in thousands):

	Three Months Ended April 30, 2020	Three Months Ended April 30, 2019
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows for operating leases	$ 13,514	$ 11,358
Operating cash flows for finance leases	1,997	759
Financing cash flows for finance leases	17,356	9,154
Right-of-use assets obtained in exchange of lease obligations (1)		
Operating leases	$ 29,347	$ 229,355
Finance leases	14,825	21,414

(1) Amounts disclosed for the three months ended April 30, 2019 include the adoption impact of ASC Topic 842 on the opening balance sheet as of February 1, 2019.

Supplemental information related to the remaining lease term and discount rate was as follows:

	April 30, 2020	April 30, 2019
Weighted-average remaining lease term (in years)		
Operating leases	6.29	7.22
Finance leases	2.83	2.94
Weighted-average discount rate		
Operating leases	5.26%	5.39%
Finance leases	4.42%	3.62%

As of April 30, 2020, maturities of our operating and finance lease liabilities, which do not include short-term leases and variable lease payments, are as follows (in thousands):

Years ending January 31:	Operating Leases (1)	Finance Leases
Remainder of 2021	$ 43,547	$ 44,672
2022	58,146	46,908
2023	46,657	37,448
2024	46,191	15,435
2025	30,411	137
Thereafter	89,038	—
Total lease payments	$ 313,990	$ 144,600
Less: imputed interest	$ (49,033)	$ (9,181)
Present value of total lease liabilities	$ 264,957	$ 135,419

(1) Non-cancellable sublease proceeds for the remainder of the fiscal year ending January 31, 2021 and the fiscal years ending January 31, 2022, 2023, 2024, and 2025 of $6.7 million, $9.1 million, $8.3 million, $2.2 million, and $2.2 million, respectively, are not included in the table above.

As of April 30, 2020, we had an operating lease for one of our office spaces that had not commenced with aggregated undiscounted future payments of $9.4 million. This operating lease will commence during fiscal year 2021 and has a lease term of 6 years and therefore, we did not reflect this lease on the condensed consolidated balance sheet as of April 30, 2020 and in the tables above. We did not have any finance leases that have not yet commenced as of April 30, 2020.

We establish assets and liabilities for the present value of estimated future costs to return certain of our leased facilities to their original condition. Such assets are depreciated over the lease period into operating expense, and the recorded liabilities are accreted to the future value of the estimated restoration costs. As of April 30, 2020 and 2019, we recorded $3.1 million and $2.7 million, respectively, in other long-term liabilities related to the present value of our estimated asset retirement obligation for our headquarters facility. The accretion expense, which was included in operating expenses in our condensed consolidated statements of operations, was not material for all periods presented.

Note 6. Commitments and Contingencies

Letters of Credit

As of April 30, 2020 and January 31, 2020, we had letters of credit in the aggregate amount of $26.5 million in connection with our operating leases, which were primarily issued under the available sublimit for the issuance of letters of credit in conjunction with a secured credit agreement as disclosed in Note 7.

Purchase Obligations

As of April 30, 2020, future payments under non-cancellable contractual purchases, which were not recognized on our condensed consolidated balance sheet and relate primarily to infrastructure services and IT software and support services costs, are as follows (in thousands):

Years ending January 31:	
2021	$ 7,739
2022	14,768
2023	37,290
2024	2,339
2025	434
Thereafter	166,234
	$ 228,804

In addition to the purchase obligations included above, as of April 30, 2020, we recognized a total of $12.9 million related to non-cancellable contractual purchases, which were included in accounts payable, accrued expenses and other current liabilities, and other long-term liabilities on the condensed consolidated balance sheet. $3.9 million, $3.3 million, $3.8 million, and $1.9 million is due to be paid in the remainder of the fiscal year ending January 31, 2021 and the fiscal years ending January 31, 2022, 2023, and 2024, respectively.

Legal Matters

From time to time, we are subject to claims that arise in the ordinary course of business, including matters we initiate to defend ourselves or our users by determining the scope, enforceability, and validity of third-party proprietary rights or to establish our proprietary rights. We investigate these claims as they arise and accrue estimates for resolution of legal and other contingencies when losses are probable and estimable. Although the results of litigation and claims cannot be predicted with certainty, we believe there was not at least a reasonable possibility that we had incurred a material loss with respect to such loss contingencies as of April 30, 2020. Additionally, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors, regardless of the outcome of such litigation.

Indemnification

We include service level commitments to our customers warranting certain levels of uptime reliability and performance and permitting those customers to receive credits in the event that we fail to meet those levels. 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. To date, we have not incurred any material costs as a result of such commitments.

Our arrangements generally include certain provisions for indemnifying customers against liabilities if our products or services infringe a third party's intellectual property rights. It is not possible to determine the maximum potential amount under these indemnification obligations due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. To date, we have not incurred any material costs as a result of such obligations and have not accrued any material liabilities related to such obligations in the condensed consolidated financial statements. In addition, we indemnify our officers, directors and certain key employees while they are serving in good faith in their respective capacities. To date, there have been no claims under any indemnification provisions.

Note 7. Debt

Line of Credit

On November 27, 2017, we entered into a secured credit agreement (as amended or otherwise modified from time to time, the November 2017 Facility) and on July 12, 2019, we entered into Amendment No. 1 to the November 2017 Facility. Pursuant to the terms of the amendment, among other changes, (i) the maturity date of borrowings under the November 2017 Facility was extended from November 27, 2020 to July 12, 2022; (ii) the revolving commitments were increased from $85.0 million to $100.0 million; (iii) the sublimit for the issuance of letters of credit was increased from $30.0 million to $45.0 million; and (iv) the covenant in the November 2017 Facility that limits the amount of finance leases and debt that we can incur to finance the acquisition, construction or improvement of any equipment or capital assets was increased from $100.0 million to $200.0 million. The proceeds of the revolving loans may be used for general corporate purposes. The revolving loans accrue interest at a prime rate plus a margin of 0.25% or, at our option, a LIBOR rate (based on one, three or six-month interest periods) plus a margin of 1.00%. Interest on the revolving loans is payable quarterly in arrears with respect to loans based on the prime rate and at the end of an interest period in the case of loans based on the LIBOR rate (or at each three-month interval if the interest period is longer than three months). Borrowings under the November 2017 Facility are collateralized by substantially all of our assets. The November 2017 Facility requires us to comply with a maximum leverage ratio and a minimum liquidity requirement. Additionally, the November 2017 Facility contains customary affirmative and negative covenants, including covenants limiting our, and our subsidiaries', ability to, among other things, grant liens, incur debt, pay dividends or distributions on the capital stock, effect certain mergers, make investments, dispose of assets, incur contractual obligations and commitments and enter into transactions with affiliates, in each case subject to customary exceptions for a credit facility of the size and type of the November 2017 Facility.

In April 2020, we drew an additional $30.0 million on the November 2017 Facility. As of April 30, 2020, we had total debt outstanding with a carrying amount of $70.0 million.

As of April 30, 2020, we were in compliance with all financial covenants.

In connection with the above credit facility, for the three months ended April 30, 2020 and 2019, interest expense, net of capitalized interest costs, was not material. During the same periods, the amounts of interest capitalized were not material. Interest expense in connection with the above credit facility includes interest charges for our line of credit, amortization of issuance costs, and unused commitment fees on our line of credit.

Note 8. Stock-Based Compensation

2015 Equity Incentive Plan

In January 2015, our board of directors adopted the 2015 Equity Incentive Plan (2015 Plan), which became effective prior to the completion of our initial public offering (IPO). A total of 12,200,000 shares of Class A common stock was initially reserved for issuance pursuant to future awards under the 2015 Plan. On the first day of each fiscal year, shares available for issuance are increased based on the provisions of the 2015 Plan. Any shares subject to outstanding awards under our 2006 Equity Incentive Plan or 2011 Equity Incentive Plan that are cancelled or repurchased subsequent to the 2015 Plan's effective date are returned to the pool of shares reserved for issuance under the 2015 Plan. Awards granted under the 2015 Plan may be (i) incentive stock options, (ii) nonstatutory stock options, (iii) restricted stock units, (iv) restricted stock awards or (v) stock appreciation rights, as determined by our board of directors at the time of grant. Generally, our restricted stock units vest over four years and, (a) for employee new hire restricted stock unit grants, twenty-five percent vest one year from the vesting commencement date and continue to vest 1/16th per quarter thereafter; or (b) for employee refresh restricted stock unit grants, 1/16th per quarter vest from the vesting commencement date. As of April 30, 2020, 21,767,691 shares were reserved for future issuance under the 2015 Plan.

2015 Employee Stock Purchase Plan

In January 2015, our board of directors adopted the 2015 Employee Stock Purchase Plan (2015 ESPP), which became effective prior to the completion of our IPO. A total of 2,500,000 shares of Class A common stock was initially reserved for issuance under the 2015 ESPP. On the first day of each fiscal year, shares available for issuance are increased based on the provisions of the 2015 ESPP. The 2015 ESPP allows eligible employees to purchase shares of our Class A common stock at a discount of up to 15% through payroll deductions of their eligible compensation, subject to any plan limitations. The 2015 ESPP provides for 24-month offering periods beginning March 16 and September 16 of each year, and each offering period consists of four six-month purchase periods.

On each purchase date, eligible employees may purchase our stock at a price per share equal to 85% of the lesser of (1) the fair market value of our stock on the offering date or (2) the fair market value of our stock on the purchase date. In the event the price is lower on the last day of any purchase price period, in addition to using that price as the basis for that purchase period, the offering period resets and the new lower price becomes the new offering price for a new 24 month offering period. As of April 30, 2020, 2,151,229 shares were reserved for future issuance under the 2015 ESPP.

Stock Options

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

	Shares Subject to Options Outstanding		Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value
	Shares	Weighted-Average Exercise Price	(Years)	(in thousands)
Balance as of January 31, 2020	8,772,585	$ 9.48	4.27	$ 60,221
Options granted	31,666	12.48		
Options exercised	(222,426)	4.34		
Options forfeited/cancelled	(24,250)	17.85		
Balance as of April 30, 2020	8,557,575	$ 9.60	4.08	$ 64,061
Vested and expected to vest as of April 30, 2020	8,484,725	$ 9.52	4.05	$ 64,056
Exercisable as of April 30, 2020	7,036,704	$ 7.44	3.19	$ 63,949

The aggregate intrinsic value of options vested and expected to vest and exercisable as of April 30, 2020 is calculated based on the difference between the exercise price and the current fair value of our common stock. The aggregate intrinsic value of exercised options for the three months ended April 30, 2020 and 2019 was $2.2 million and $1.9 million, respectively. The aggregate estimated fair value of stock options granted to employees that vested during the three months ended April 30, 2020 and 2019 was $0.5 million and $0.9 million, respectively. The weighted-average grant date fair value of options granted to employees during the three months ended April 30, 2020 and 2019 was $5.41 and $8.00 per share, respectively.

As of April 30, 2020, there was $4.3 million of unrecognized stock-based compensation expense related to outstanding stock options granted to employees that is expected to be recognized over a weighted-average period of 1.98 years.

Stock Options with Market-Based Performance Goals

To further align our stockholders' interests with executive officers' interests, the Compensation Committee of our board of directors approved and granted performance-based stock options with market-based performance goals under the 2015 Plan to certain executive officers, which are subject to both the achievement of the market-based performance goal established by the Compensation Committee and the continued employment of the participant. These performance-based stock options vest only to the extent that both the market-based performance goal and time-based condition are satisfied. The market-based performance goal will be satisfied if, before the four-year anniversary of the grant date, the closing price of our Class A common stock is maintained at or above a pre-determined share price for a period of 30 consecutive trading days. The time-based vesting condition will be satisfied over the following four-year schedule: Twenty-five percent of the option's time-based vesting condition is satisfied one year from the vesting commencement date and the remaining 1/48th of the option's time-based vesting condition is satisfied monthly thereafter, subject to continued employment through each such date. As of April 30, 2020, the total outstanding balance of performance-based stock options was 1,375,000.

The grant date fair value of these awards was determined using a Monte Carlo valuation model and the related stock-based compensation expense is recognized based on an accelerated attribution method. Of the total $4.3 million in unrecognized stock-based compensation expense for stock options as of April 30, 2020, $2.3 million related to outstanding performance-based stock options with market-based performance goals, which is expected to be recognized over a weighted-average period of 2.52 years.

Restricted Stock Units

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

	Number of Restricted Stock Units Outstanding	Weighted-Average Grant Date Fair Value
Unvested balance - January 31, 2020	21,808,107	$ 18.85
Granted	7,313,474	14.53
Vested, net of shares withheld for employee payroll taxes	(1,330,535)	18.66
Forfeited/cancelled	(884,977)	19.78
Unvested balance - April 30, 2020	26,906,069	$ 17.65

As of April 30, 2020, there was $321.9 million of unrecognized stock-based compensation expense related to outstanding restricted stock units granted to employees that is expected to be recognized over a weighted-average period of 2.89 years.

Performance-Based Restricted Stock Units

We use performance-based incentives for certain employees, including our named executive officers, to achieve our annual financial and operational objectives, while making progress towards our longer-term strategic and growth goals. Typically, near the beginning of each fiscal year, our Compensation Committee adopts the performance criteria and targets for the incentive compensation plan for that fiscal year, which identifies the plan participants, the performance measures and the associated target levels for each measure, and the potential payouts based on actual performance for the fiscal year.

In the first quarter of fiscal year 2020, our Compensation Committee adopted and approved the performance criteria and targets for fiscal year 2020 under our omnibus Executive Incentive Plan (the Fiscal 2020 Executive Bonus Plan). Based on a review of our actual achievement of pre-established corporate financial objectives and additional inputs from our Compensation Committee, the Fiscal 2020 Executive Bonus Plan was determined, settled and paid out in the first quarter of fiscal year 2021 in the form of fully vested restricted stock units. During the three months ended April 30, 2020, we recognized stock-based compensation expense related to the Fiscal 2020 Executive Bonus Plan in the amount of $1.5 million.

In the first quarter of fiscal year 2021, our Compensation Committee adopted and approved the performance criteria and targets for fiscal year 2021 under our omnibus Executive Plan (the Fiscal 2021 Executive Bonus Plan). The Fiscal 2021 Executive Bonus Plan provides opportunities for 100% equity incentive compensation payouts based on our actual achievement of pre-established corporate financial objectives, subject to review and a final approval by our Compensation Committee. During the three months ended April 30, 2020, we recognized stock-based compensation expense related to the Fiscal 2021 Executive Bonus Plan in the amount of $2.8 million. The unrecognized compensation expense related to the ungranted and unvested Fiscal 2021 Executive Bonus Plan is $10.9 million, based on the expected performance against the pre-established corporate financial objectives as of April 30, 2020, which is expected to be recognized over a remaining weighted-average period of less than one year. The payouts of the Fiscal 2021 Executive Bonus Plan are expected to be made in the form of fully vested restricted stock units in the first quarter of fiscal year 2022.

2015 ESPP

As of April 30, 2020, there was $17.3 million of unrecognized stock-based compensation expense related to the 2015 ESPP that is expected to be recognized over the remaining term of the respective offering periods. During the first quarter of fiscal year 2021, the fair market value of our stock on the purchase date (i.e., March 15, 2020) was lower than the fair market value of our stock on certain offering dates. As a result, certain offering periods reset and the new lower price became the new offering price for a new 24 month offering period. These resets resulted in a change in fair value and a corresponding incremental stock-based compensation expense initially totaling $3.9 million, which is expected to be recognized over the term of the new offering period.

Stock-Based Compensation

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

	Three Months Ended April 30,	
	2020	2019
Cost of revenue	$ 4,541	$ 3,611
Research and development	17,287	12,975
Sales and marketing	10,079	9,400
General and administrative	8,136	6,376
Total stock-based compensation	$ 40,043	$ 32,362

Determination of Fair Value

We estimated the fair value of employee stock options and 2015 ESPP purchase rights using a Black-Scholes option pricing model with the following assumptions.

	Three Months Ended April 30,	
	2020	2019
Employee Stock Options		
Expected term (in years)	5.8	N/A
Risk-free interest rate	0.6%	N/A
Volatility	46%	N/A
Dividend yield	0%	N/A
Employee Stock Purchase Plan		
Expected term (in years)	0.5 - 2.0	0.5 - 2.0
Risk-free interest rate	0.3% - 0.4%	2.4% - 2.5%
Volatility	44% - 52%	46% - 55%
Dividend yield	0%	0%

The assumptions used in the Black-Scholes option pricing model were determined as follows:

Fair Value of Common Stock. We use the market closing price for our Class A common stock as reported on the New York Stock Exchange to determine the fair value of our common stock at each grant date.

Expected Term. The expected term represents the period that our share-based awards are expected to be outstanding. The expected term assumptions were determined based on the vesting terms, exercise terms and contractual lives of the options and 2015 ESPP purchase rights.

Expected Volatility. We estimate the expected volatility of the stock option grants and 2015 ESPP purchase rights based on the historical volatility of our Class A common stock over a period equivalent to the expected term of the stock option grants and 2015 ESPP purchase rights, respectively.

Risk-free Interest Rate. The risk-free rate that we use is based on the implied yield available on U.S. Treasury zero-coupon issues with remaining terms similar to the expected term on the options and 2015 ESPP purchase rights.

Dividend Yield. We have never declared or paid any cash dividends and do not plan to pay cash dividends in the foreseeable future, and, therefore, use an expected dividend yield of zero.

Note 9. Net Loss per Share

The following table sets forth the computation of basic and diluted net loss per share (in thousands, except per share amounts):

	Three Months Ended April 30,	
	2020	2019
Numerator:		
Net loss	$ (25,550)	$ (36,828)
Denominator:		
Weighted-average number of shares outstanding—basic and diluted	151,943	145,275
Net loss per share—basic and diluted	$ (0.17)	$ (0.25)

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

	Three Months Ended April 30,	
	2020	2019
Options to purchase common stock	5,624	8,983
Restricted stock units	16,863	15,096
Employee stock purchase plan	2,678	1,771
	25,165	25,850

Note 10. Income Taxes

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

We file tax returns in the U.S. for federal, California, and other states. All tax years remain open to examination for both federal and state purposes as a result of our net operating loss and credit carryforwards. We began to file foreign tax returns in the United Kingdom starting with the year ended January 31, 2013, in France, Germany and Japan starting with the year ended January 31, 2014, in Canada starting with the year ended January 31, 2015, and in Australia, Sweden, and Netherlands starting with the year ended January 31, 2016. Certain tax years remain open to examination.

Note 11. Restructuring

Consistent with our focused efforts to drive more profitable growth, in the quarter ended January 31, 2020, we completed certain restructuring activities primarily in our sales and marketing organization, and to a lesser extent in our (1) research and development and (2) general and administrative organizations. The restructuring included eliminating specific senior roles, centralizing the reporting structures for certain functions and geographies, eliminating select sales overlay roles, and reducing headcount in lower performing geographies. In connection with the restructuring, we recorded a charge in the quarter ended January 31, 2020 in the amount of $1.65 million, which consisted entirely of severance and other personnel-related costs. As of January 31, 2020, all affected personnel had been notified, $0.6 million of the restructuring charge had been paid, and $1.05 million of the charge remained accrued and included in accrued compensation and benefits in our condensed consolidated balance sheet. As of April 30, 2020, the restructuring charges remaining in accrued compensation and benefits in our condensed consolidated balance sheet were not material.

Note 12. Segments

Our chief operating decision maker reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. As such, we have a single reporting segment and operating unit structure. Since we operate in one operating segment, all required segment information can be found in the condensed consolidated financial statements.

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

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

Overview

Box provides a leading cloud content management platform focused on three key differentiators: frictionless security and compliance, secure external and internal collaboration and workflow, and expansive integrations and APIs that extend the value of our platform. Box enables organizations of all sizes to securely manage their content while allowing easy access and sharing of this content from anywhere, on any device. With our Software-as-a-Service (SaaS) cloud content management platform, users can collaborate on content both internally and with external parties, automate content-driven business processes, develop custom applications, and implement data protection, security and compliance features to comply with legal and regulatory requirements, internal policies and industry standards and regulations. Box provides a single content platform that accelerates business processes, improves employee productivity, enables secure remote work, and protects an organization’s most valuable data. Our platform enables a broad set of business use cases across enterprises, hundreds of file formats and media types, and user experiences. Our platform integrates with leading enterprise business applications, and is compatible with multiple application environments, operating systems and devices, ensuring that workers have access to their critical business content whenever and wherever they need it.

At our founding, we recognized that content is more accessible, secure and powerful when it is centrally stored, managed, and shared. In 2005, we publicly launched our cloud content management platform, which we have architected from the ground up, with a simple but powerful idea: to make it incredibly easy for people to securely manage, share and collaborate on their most important content online. Our cloud content management platform is built to meet the evolving demands of today’s distributed and mobile workforce, and for enterprises that are looking to benefit from the increasing digitization of business.

In addition, we continue to innovate by expanding our core services and our expanded offerings with a focus on frictionless security and compliance, seamless internal and external collaboration and workflow, and integration with best-of-breed applications. For example, we provide Box Shield, our advanced security offering that helps customers reduce the risk of accidental data leakage and protect their business from insider threats and account compromise; Box KeySafe, a solution that builds on top of Box’s strong encryption and security capabilities to give customers greater control over the encryption keys used to secure the file contents that are stored with Box; Box Governance, which gives customers a better way to comply with regulatory policies, satisfy e-discovery requests and effectively manage sensitive business information; Box Relay, which allows our end users to easily build, manage and track their own workflows; Box Platform, which further enables customers and partners to build enterprise apps using the Box Platform; and Box Zones, which gives global customers the ability to store their data locally in certain regions. The increasing success of our add-on products allows our customers to realize the full set of Box capabilities of our cloud content management platform.

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

Our objective is to build an enduring business that creates sustainable revenue and earnings growth over the long term. To best achieve this objective, we focus on growing the number of 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. Individual users and organizations can also simply sign up to use our solution on our website. We believe this approach not only helps us build a critical mass of users but also has a viral effect within organizations as more of their employees use our service and encourage their IT professionals to deploy our services to a broader user base.

Our user base included 72.2 million registered users as of April 30, 2020. We define a registered user as a Box account that has been provisioned a unique user identification number. As of April 30, 2020, 19% of our registered users were paying users who registered as part of a larger enterprise or business account or by using a paid personal account. As of April 30, 2020, we had over 98,000 paying organizations, and our solution was offered in 25 languages. We define paying organizations as separate and distinct buying entities, such as a company, an educational or government institution, or a distinct business unit of a large corporation, that have entered into a subscription agreement with us to utilize our services.

Organizations typically purchase our solution in the following ways: (i) employees in one or more small groups within the organization may individually purchase our service; (ii) organizations may purchase IT-sponsored, enterprise-level agreements with deployments for specific, targeted use cases ranging from tens to thousands of user seats; (iii) organizations may purchase IT- sponsored, enterprise-level agreements where the number of user seats sold is intended to accommodate and enable nearly all information workers within the organization in whatever use cases they desire to adopt over the term of the subscription; and (iv) organizations may purchase our Box Platform service to create custom business applications for their internal use and extended ecosystem of customers, suppliers and partners.

We intend to continue scaling our organization to meet the increasingly complex needs of our customers. Our sales and customer success teams are organized to efficiently serve organizations ranging from small businesses to the world’s largest global organizations. We have invested in our sales and marketing teams to sell our services around the world, as well as in our development efforts to deliver additional features and capabilities of our cloud services to address our customers’ evolving needs. We also expect to continue to make investments in both our infrastructure to meet the needs of our growing global user base and our professional services organization (Box Consulting) to address the strategic needs of our customers in more complex deployments and to drive broader adoption across a wide array of use cases. 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 near future.

For the three months ended April 30, 2020 and 2019, our revenue was $183.6 million and $163.0 million, respectively, representing year-over-year growth of 13%, and our net losses were $25.6 million and $36.8 million, respectively. For the three months ended April 30, 2020 and 2019, revenue from non-U.S. customers represented 27% and 24% of our revenue, respectively. Box is headquartered in Redwood City, California and operates offices throughout the United States, Europe, and Asia.

COVID-19

The COVID-19 pandemic has significantly impacted global economic activity, worldwide financial markets and social practices. We have assembled a team to work cross-functionally to monitor, analyze and respond to evolving developments regarding the COVID-19 pandemic. As part of these efforts, we have taken steps to protect the health and welfare of our employees by temporarily closing our offices and suspending business-related travel, while continuing our commitment and efforts to serve customers that rely on us. In addition, we have shifted our customer and marketing events to virtual-only experiences. While we believe that Box benefits our customers and prospects by allowing them to enable remote work for their employees, the extent to which the COVID-19 pandemic ultimately impacts our business, results of operations, and financial position will depend on future developments, which are uncertain and cannot be predicted at this time, and include the severity and duration of the pandemic, actions that may be taken by government authorities to contain the virus and minimize its economic impact, the impact to our customers, business partners and employees, and other factors identified in Part II, Item 1A "Risk Factors" of this Form 10-Q. As a result, the extent and magnitude of the impact COVID-19 will have on our business and operating results cannot be predicted at this time.

Our Business Model

Our business model focuses on maximizing the lifetime value of a customer relationship. We make significant investments in acquiring new customers and believe that we will be able to achieve a positive return on these investments by retaining customers, cross-selling our add-on products and expanding the size of our deployments within our customer base over time. In connection with the acquisition of new customers, we incur and recognize significant upfront costs. These costs include sales and marketing costs associated with acquiring new customers, such as sales commission expenses, a portion of which are deferred and then amortized over a period of benefit, and marketing costs, which are expensed as incurred. We recognize revenue when, or as, we satisfy a performance obligation. Accordingly, due to our subscription model, we recognize revenue for our subscription and premier services ratably over the term of the contract. Although our objective is for each customer to be profitable for us over the duration of our relationship, the costs we incur with respect to any customer relationship, whether a new customer or an expansion within an existing customer, may exceed revenue in earlier periods because we recognize those costs faster than we recognize the associated revenue.

Because of these dynamics, we experience a range of profitability with our customers depending in large part upon their current stage. We generally incur higher sales and marketing expenses for new customers and existing customers who are still in an expanding stage. For new customers, our associated sales and marketing expenses typically exceed the first year revenue we recognize from those customers. For customers who are expanding their use of Box, we incur various associated marketing expenses as well as sales commission expenses, though we typically recognize higher revenue than sales and marketing expenses. For typical customers who are renewing their Box subscriptions, our associated sales and marketing expenses are significantly less than the revenue we recognize from those customers. These differences are primarily driven by the higher compensation we provide to our sales force for new customers and customer subscription expansions compared to the compensation we provide to our sales force for routine subscription renewals by customers. In addition, our sales and marketing expenses, even after considering deferred incremental compensation we provide to our sales force, are generally higher for acquiring new customers versus expansions or renewals of existing customer subscriptions. We believe that, over time, as our existing customer base grows and a relatively higher percentage of our revenue is attributable to renewals versus new or expanding Box deployments, we will experience lower associated sales and marketing expenses as a percentage of revenue.

Key Business Metrics

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

	Three Months Ended April 30,	
	2020	2019
Remaining performance obligations (period end)	$ 722.7	$ 637.3
Remaining performance obligations growth rate	13%	16%
Billings	$ 128.1	$ 118.4
Billings growth rate	8%	1%
Free cash flow	$ 39.8	$ 13.4
Retention rate (period end)	107%	106%

Remaining Performance Obligations

Remaining performance obligations (RPO) represent, at a point in time, contracted revenue that has not yet been recognized. RPO consists of deferred revenue and backlog, offset by contract assets. Backlog is defined as non-cancellable contracts deemed certain to be invoiced and recognized as revenue in future periods. Future invoicing is determined to be certain when we have an executed non-cancellable contract or a significant penalty is due upon cancellation, and invoicing is not dependent on a future event such as the delivery of a specific new product or feature, or the achievement of contractual contingencies. While Box believes RPO is a leading indicator of revenue as it represents sales activity not yet recognized in revenue, it is not necessarily indicative of future revenue growth as it is influenced by several factors, including seasonality, contract renewal timing, average contract terms and foreign currency exchange rates. Box monitors RPO to manage the business and evaluate performance. Although we consider RPO to be a significant performance measure, we do not consider it to be a non-GAAP financial measure given that it is calculated in accordance with GAAP.

RPO as of April 30, 2020 were $722.7 million, an increase of 13% from April 30, 2019. The increase in RPO was primarily driven by the addition of new customers, expansion within existing customers as they broadened their deployment of our product offerings, and the timing of customer-driven renewals.

Billings

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

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

Billings increased 8% in the three months ended April 30, 2020 over the three months ended April 30, 2019. The increase in billings was primarily driven by the addition of new customers, expansion within existing customers as they broadened their deployment of our product offerings, and the timing of customer-driven renewals.

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

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

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

	Three Months Ended April 30,	
	2020	**2019**
GAAP revenue	$ 183,561	$ 162,974
Deferred revenue, end of period	368,349	330,445
Less: deferred revenue, beginning of period	(423,849)	(375,041)
Contract assets, beginning of period	—	3
Billings	$ 128,061	$ 118,381

Free Cash Flow

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

For the three months ended April 30, 2020 and 2019, free cash flow was $39.8 million and $13.4 million, respectively.

Retention Rate

Retention rate is defined as the net percentage of Total Account Value (TAV) retained from existing customers, including expansion. We calculate our retention rate as of a period end by starting with the TAV from customers as of 12 months prior to such period end (Prior Period TAV) and a subscription term of at least 12 months. We then calculate TAV from these same customers as of the current period end (Current Period TAV). Finally, we divide the Current Period TAV by the Prior Period TAV and report the average of this calculation over the prior twelve months to arrive at our retention rate. Prior to fiscal year 2021, we included only TAV from customers with contract value of $5,000 or more in our retention rate calculation. As a result of our focus on driving an efficient land and expand go-to-market strategy, large enterprise customers may begin their deployments with contract values below $5,000 and expand significantly over time. Given this strategy, we now include TAV from customers with contract value of less than $5,000 in our retention rate calculation. This new methodology adopted in fiscal year 2021 provides a more comprehensive view of how existing customers contribute to our overall revenue growth. 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. Retention rate is an operational metric and there is no comparable GAAP financial measure to which we can reconcile this particular key metric.

Our retention rate was approximately 107% and 106% as of April 30, 2020 and 2019, respectively. Our strong retention rates were primarily attributable to strong seat growth in existing customers and strong attach rates of add-on products. As our customers purchase add-on products, we tend to realize significantly higher average contract values and stronger retention rates as compared to customers who only purchase our core product. We believe our go-to-market efforts to deliver a solution selling strategy and our investments in product, Customer Success, and Box Consulting have been a significant factor in our strong customer retention results. Our retention rate is higher in customers who have purchased at least one add-on product. As we penetrate customer accounts, we expect our retention rate to remain above 100% for the foreseeable future.

Components of Results of Operations

Revenue

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

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

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

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

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

Cost of Revenue

Our cost of revenue consists primarily of costs related to providing our subscription services to our paying customers, including employee compensation and related expenses for data center operations, customer support and professional services personnel, payments to outside technology service providers, depreciation of servers and equipment, security services and other tools, as well as amortization expense associated with acquired technology and capitalized internally developed software. We allocate overhead such as rent, information technology costs and employee benefit costs to all departments based on headcount. As such, general overhead expenses are reflected in cost of revenue and each of the operating expense categories set forth below. As part of our hybrid cloud infrastructure strategy, we are in the process of migrating our primary data centers to significantly lower cost regions, which will allow us to optimize our infrastructure efficiency while supporting growth in our paying customers. We are seeing increased costs during the migration process, but we believe we have already incurred the majority of our duplicative costs, and we expect to complete this migration in fiscal year 2021. Upon the completion of this migration, we expect our cost of revenue to increase in dollars but trend downwards as a percentage of revenue as we continue to drive efficiencies in our infrastructure to support the growth of our business, our customer base, as well as our international expansion.

Operating Expenses

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

Research and Development. Research and development expense consists primarily of employee compensation and related expenses, as well as allocated overhead. Our research and development efforts are focused on scaling our platform, building an ecosystem of best-of-breed applications and platforms, adding enterprise grade features, functionality and enhancements such as workflow automation, intelligent content management capabilities, and advanced security to enhance the ease of use of our cloud content management services. We capitalize certain qualifying costs to develop software for internal use incurred during the application development stage. We expect our research and development expense to increase in dollars but remain stable as a percentage of revenue over time, even as we continue to make significant enhancements to our cloud content management product offerings and services and develop new technologies.

Sales and Marketing. Sales and marketing expense consists primarily of employee compensation and related expenses, sales commissions, marketing programs, travel-related expenses, as well as allocated overhead. Marketing programs include but are not limited to advertising, events, corporate communications, brand building, and product marketing. Sales and marketing expense also consists of data center and customer support costs related to providing our cloud-based services to our free users. We market and sell our cloud content management services worldwide through our direct sales organization and through indirect distribution channels such as strategic resellers. We expect our sales and marketing expense to continue to increase in dollars but decrease as a percentage of revenue over time as our existing customer base grows and a relatively higher percentage of our revenue is attributable to renewals versus new or expanding Box deployments, and as we focus on improving sales productivity from our solution selling strategy and simplifying our product offerings while optimizing the size of our sales and marketing organization to capture strong demand globally.

General and Administrative. General and administrative expense consists primarily of employee compensation and related expenses for administrative functions including finance, legal, human resources, recruiting, information systems, security, compliance, fees for external professional services and cloud based enterprise systems, as well as allocated overhead. External professional services fees are primarily comprised of outside legal, accounting, audit and outsourcing services. We expect our general and administrative expense to increase in dollars but to decrease as a percentage of revenue over time as we benefit from greater operational efficiency.

Interest Expense, Net

Interest expense, net consists of interest expense and interest income. Interest expense consists primarily of interest charges for our line of credit and interest rate swap agreement, interest expense related to finance leases, unused commitment fees on our line of credit, the amortization of capitalized debt issuance costs, and fees on our letters of credit. Interest income consists primarily of interest earned on our cash and cash equivalents. We have historically invested our cash and cash equivalents in overnight deposits, certificates of deposit, money market funds, and short term, investment-grade corporate debt, marketable securities and asset backed securities.

Other Income (Loss), Net

Other income (loss), net consists primarily of gains and losses from foreign currency transactions and other income and expense.

Provision for Income Taxes

Provision for income taxes consists primarily of income taxes in certain foreign jurisdictions in which we conduct business and state income taxes in the United States and, as applicable, changes in our deferred taxes and related valuation allowance positions and uncertain tax positions.

Results of Operations

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

	Three Months Ended April 30,	
	2020	2019
	(in thousands, except per share data)	
Revenue	$ 183,561	$ 162,974
Cost of revenue (1)	53,995	48,684
Gross profit	129,566	114,290
Operating expenses:		
Research and development (1)	53,114	46,244
Sales and marketing (1)	72,750	78,820
General and administrative (1)	27,942	24,607
Total operating expenses	153,806	149,671
Loss from operations	(24,240)	(35,381)
Interest expense, net	(1,367)	(68)
Other income (loss), net	264	(880)
Loss before provision for income taxes	(25,343)	(36,329)
Provision for income taxes	207	499
Net loss	$ (25,550)	$ (36,828)
Net loss per share, basic and diluted	$ (0.17)	$ (0.25)
Weighted-average shares used to compute net loss per share, basic and diluted	151,943	145,275

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

	Three Months Ended April 30,	
	2020	2019
	(in thousands)	
Cost of revenue	$ 4,541	$ 3,611
Research and development	17,287	12,975
Sales and marketing	10,079	9,400
General and administrative	8,136	6,376
Total stock-based compensation	$ 40,043	$ 32,362

	Three Months Ended April 30,	
	2020	2019
Percentage of Revenue:		
Revenue	100 %	100 %
Cost of revenue (1)	29	30
Gross profit	71	70
Operating expenses:		
Research and development (1)	29	29
Sales and marketing (1)	40	48
General and administrative (1)	15	15
Total operating expenses	84	92
Loss from operations	(13)	(22)
Interest expense, net	(1)	—
Other loss, net	—	(1)
Loss before provision for income taxes	(14)	(23)
Provision for income taxes	—	—
Net loss	(14) %	(23) %

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

	Three Months Ended April 30,	
	2020	2019
Cost of revenue	3 %	2 %
Research and development	9	8
Sales and marketing	6	6
General and administrative	4	4
Total stock-based compensation	22 %	20 %

Comparison of the Three Months Ended April 30, 2020 and 2019

Revenue

	Three Months Ended April 30,			
	2020	2019	$ Change	% Change
	(dollars in thousands)			
Revenue	$ 183,561	$ 162,974	$ 20,587	13%

The increase in revenue was primarily driven by an increase in subscription services. The increase in subscription services was primarily due to the addition of new customers, as the number of paying organizations increased by 4% from April 30, 2019 to April 30, 2020, and strong attach rates of add-on products, which strengthened our price per seat. In this period, we also experienced continued renewals from, and expansion within, existing customers as they broadened their deployment of our product offerings, as reflected in our retention rate of 107% as of April 30, 2020.

Cost of Revenue

	Three Months Ended April 30,			
	2020	2019	$ Change	% Change
	(dollars in thousands)			
Cost of revenue	$ 53,995	$ 48,684	$ 5,311	11%
Percentage of revenue	29%	30%		

The increase in absolute dollars was primarily due to a net increase of $3.7 million in depreciation primarily related to additional data center equipment, an increase of $1.3 million in rent primarily related to the expansion of data centers and our temporary occupancy of redundant colocation facilities as we are migrating our data center footprint to lower cost regions, and an increase of $1.2 million in employee and related costs primarily driven by an increase in headcount from 328 as of April 30, 2019 to 358 as of April 30, 2020. The increase in cost of revenue expenses was partially offset by a $4.3 million decrease in data center and hosted data service costs. Cost of revenue as a percentage of revenue decreased one point year-over-year. As part of our hybrid cloud infrastructure strategy, we are in the process of migrating our primary data centers to significantly lower cost regions, which will allow us to optimize infrastructure efficiency while supporting growth in our paying customers. As part of the migration, we have incurred increased overall costs as we pay for duplicative data center footprints, with the majority of costs being incurred as of January 31, 2020. Therefore, we expect our cost of revenue as a percentage of revenue to decrease slightly in the fiscal year ending January 31, 2021.

Research and Development

	Three Months Ended April 30,			
	2020	2019	$ Change	% Change
	(dollars in thousands)			
Research and development	$ 53,114	$ 46,244	$ 6,870	15%
Percentage of revenue	29%	28%		

The increase in absolute dollars was primarily due to an increase of $5.3 million in stock-based compensation expense primarily driven by equity grants to existing and new employees and an increase of $3.5 million in employee and related costs primarily driven by an increase in headcount from 428 as of April 30, 2019 to 442 as of April 30, 2020. Research and development expenses as a percentage of revenue increased one point year-over-year. We continue to invest in enhancements of our product and services, develop new products, and further differentiate our offerings. We expect our research and development expenses to increase in dollars but remain relatively stable as a percentage of revenue over time, even as we continue to make significant enhancements to our cloud content management product offerings and services, including expanding our advanced security, integrations and APIs, and workflow automation capabilities.

Sales and Marketing

	Three Months Ended April 30,			
	2020	2019	$ Change	% Change
		(dollars in thousands)		
Sales and marketing	$ 72,750	$ 78,820	$ (6,070)	-8%
Percentage of revenue	40%	48%		

The decrease in absolute dollars was primarily due to a decrease of $4.1 million in employee and related costs primarily driven by a decrease in headcount from 942 as of April 30, 2019 to 806 as of April 30, 2020 due to our recent restructuring. In addition, there was a decrease of $1.9 million and $1.6 million in travel-related costs and marketing expenses, respectively, partly due to the impact of the COVID-19 pandemic, and there was a decrease of $1.4 million in allocated costs attributable mainly to decreased facilities and IT software and support service costs. The decrease in sales and marketing expenses was partially offset by a $3.3 million increase in commission expenses primarily driven by increased sales. Sales and marketing expenses as a percentage of revenue decreased eight points year-over-year due to our focus on driving greater efficiency from our solution selling strategy and simplifying our product offerings.

Our sales and marketing expenses are generally higher for acquiring new customers than for expansions or renewals of existing customer subscriptions. We expect to continue to invest to capture our large market opportunity globally and capitalize on our competitive position with continued focus on our long-term margin objectives. Over time, as our existing customer base grows and a relatively higher percentage of our revenue is attributable to renewals versus new or expanding Box deployments and as we continue to focus on improving sales productivity from our solution selling strategy and simplifying our product offerings, we expect that sales and marketing expenses will continue to decrease as a percentage of revenue.

General and Administrative

	Three Months Ended April 30,			
	2020	2019	$ Change	% Change
		(dollars in thousands)		
General and administrative	$ 27,942	$ 24,607	$ 3,335	14%
Percentage of revenue	15%	15%		

The increase in absolute dollars was primarily due to an increase of $1.8 million in stock-based compensation expense primarily driven by equity grants to existing and new employees and an increase of $1.3 million in employee and related costs primarily driven by an increase in headcount from 330 employees as of April 30, 2019 to 346 employees as of April 30, 2020. General and administrative expense as a percentage of revenue remained flat year-over-year. We expect our general and administrative expense to increase in dollars but to decrease as a percentage of revenue over time as we benefit from greater operational efficiency.

Interest Expense, Net and Other Income (Loss), Net

	Three Months Ended April 30,			
	2020	2019	$ Change	% Change
	(dollars in thousands)			
Interest expense, net	$ (1,367)	$ (68)	$ (1,299)	*
Other income (loss), net	264	(880)	1,144	*

* Percentage change not meaningful.

The increase in interest expense, net is primarily due to an increase in interest expense related to finance leases provisioned for our data center facilities and a decrease in interest income from our certificates of deposit and money market funds.

Other income (loss), net, consisted primarily of foreign currency gains (losses).

Liquidity and Capital Resources

	Three Months Ended April 30,	
	2020	2019
	(in thousands)	
Net cash provided by operating activities	$ 61,917	$ 25,491
Net cash used in investing activities	(4,591)	(2,897)
Net cash provided by (used in) financing activities	15,303	(8,941)

As of April 30, 2020, we had cash, cash equivalents, and restricted cash of $268.4 million. Our cash and cash equivalents are comprised primarily of overnight cash deposits, certificates of deposit, and money market funds. Since our inception, we have financed our operations primarily through equity, cash generated from sales and, to a lesser extent, debt financing. We believe our existing cash and cash equivalents, together with our finance leases and credit facilities, will be sufficient to meet our working capital and capital expenditure needs for at least the next 12 months. Our future capital requirements will depend on many factors including our growth rate, subscription renewal activity, billing frequency, data center expansions, the timing and extent of spending to support development efforts, the expansion of international activities, the introduction of new and enhanced services offerings, and the continuing market acceptance of our services. We may in the future enter into arrangements to acquire or invest in complementary businesses, services and technologies, including intellectual property rights. We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all.

On November 27, 2017, we entered into a secured credit agreement (as amended or otherwise modified from time to time, the November 2017 Facility) and on July 12, 2019, we entered into Amendment No. 1 to the November 2017 Facility. Pursuant to the terms of the amendment, among other changes, (i) the maturity date of borrowings under the November 2017 Facility was extended from November 27, 2020 to July 12, 2022; (ii) the revolving commitments were increased from $85.0 million to $100.0 million; (iii) the sublimit for the issuance of letters of credit was increased from $30.0 million to $45.0 million; and (iv) the covenant in the November 2017 Facility that limits the amount of finance leases and debt that we can incur to finance the acquisition, construction or improvement of any equipment or capital assets was increased from $100.0 million to $200.0 million. The proceeds of the revolving loans may be used for general corporate purposes. The revolving loans accrue interest at a prime rate plus a margin of 0.25% or, at our option, a LIBOR rate (based on one, three or six-month interest periods) plus a margin of 1.00%. Interest on the revolving loans is payable quarterly in arrears with respect to loans based on the prime rate and at the end of an interest period in the case of loans based on the LIBOR rate (or at each three-month interval if the interest period is longer than three months). Borrowings under the November 2017 Facility are collateralized by substantially all of our assets. The November 2017 Facility requires us to comply with a maximum leverage ratio and a minimum liquidity requirement. Additionally, the November 2017 Facility contains customary affirmative and negative covenants, including covenants limiting our, and our subsidiaries', ability to, among other things, grant liens, incur debt, pay dividends or distributions on the capital stock, effect certain mergers, make investments, dispose of assets, incur contractual obligations and commitments and enter into transactions with affiliates, in each case subject to customary exceptions for a credit facility of the size and type of the November 2017 Facility.

Operating Activities

For the three months ended April 30, 2020, cash provided by operating activities was $61.9 million. The primary factors affecting our operating cash flows during this period were our net loss of $25.6 million, offset by non-cash charges of $40.0 million for stock-based compensation, $17.9 million for depreciation and amortization of our property and equipment, $8.2 million for amortization of deferred commissions, and net cash inflows of $21.2 million provided by changes in our operating assets and liabilities.

The primary drivers for the changes in operating assets and liabilities include a $110.4 million decrease in accounts receivable that was primarily due to the seasonality of our billings and relative timing of our cash collections, a $55.5 million decrease in deferred revenue that was primarily due to seasonality in our sales cycle which is concentrated in the back half of our fiscal year, predominantly in the last quarter, a $12.7 million decrease in accrued expenses and other liabilities primarily attributable to timing of compensation and benefits payments and timing of invoice payments, and a $11.0 million decrease in operating lease liabilities.

Investing Activities

Cash used in investing activities of $4.6 million for the three months ended April 30, 2020 was primarily due to $3.3 million of capitalized internal-use software costs associated with the development of additional significant features and functionality to our products as well as purchases of on-premises software. In addition, included in cash used in investing activities was $1.4 million of fixed asset purchases to support our increased headcount.

Financing Activities

Cash provided by financing activities of $15.3 million for the three months ended April 30, 2020 was primarily due to $30.0 million of proceeds from borrowings due to our debt draw down in April 2020 on our November 2017 Facility and 11.9 million of proceeds from issuances of common stock under the 2015 ESPP, partially offset by $17.4 million of principal payments of finance lease liabilities and $10.2 million of employee payroll taxes paid related to net share settlement of restricted stock units reflecting the amount of equity grants vested and the valuation of our share price.

Contractual Obligations and Commitments

The following table summarizes our contractual obligations and commitments as of April 30, 2020:

	Payments Due by Period (in thousands)				
	Total	**Less Than 1 Year**	**1-3 Years**	**3-5 Years**	**More Than 5 Years**
Debt (1)	$ 72,784	$ 1,468	$ 71,316	$ —	$ —
Operating lease liabilities, net of sublease income amounts (2)	313,990	60,309	99,507	71,647	82,527
Finance leases (3)	144,600	57,434	78,272	8,894	—
Purchase obligations (4)	228,804	15,062	46,449	1,059	166,234
Total	$ 760,178	$ 134,273	$ 295,544	$ 81,600	$ 248,761

(1) Includes principal, interest and unused commitment fees on our line of credit under the November 2017 Facility.

(2) Includes operating lease liabilities for certain of our offices and data centers. As of April 30, 2020, we expected to receive sublease income of $28.5 million over the next four years from tenants in certain of our leased facilities. The amounts set forth in the table above does not include any sublease income amounts nor does it include payments for short-term leases or variable lease payments.

(3) Includes obligations related to our servers and related equipment for our data center operations.

(4) Includes purchase obligations which were not recognized on the condensed consolidated balance sheet as of April 30, 2020, related primarily to infrastructure services and IT software and support services costs. Our contracts for infrastructure services and IT software, which have terms ranging from 2 to 8 years, support our long-term goals of improving gross margin. In addition to the purchase obligations included in the table above, as of April 30, 2020, we had recognized a total of $12.9 million related to non-cancellable contractual purchases, which were included in accounts payable, accrued expenses and other current liabilities ,and other long-term liabilities on the balance sheet. $3.9 million, $3.3 million and $3.8 million, and $1.9 million is due to be paid in the years ending January 31, 2021, 2022, 2023, and 2024, respectively.

Off-Balance Sheet Arrangements

Through April 30, 2020, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

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

Except for items discussed under *Use of Estimates* and *Recently Adopted Accounting Pronouncements* under Part I, Item 1. Financial Statements—Note 1, there have been no material changes to our critical accounting policies and estimates during the three months ended April 30, 2020 from those disclosed in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended January 31, 2020.

Recent Accounting Pronouncements

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

Non-GAAP Financial Measures

Regulation S-K Item 10(e), "Use of Non-GAAP Financial Measures in Commission Filings," defines and prescribes the conditions for use of non-GAAP financial information. Our measures of non-GAAP operating income (loss), non-GAAP operating margin, non-GAAP net income (loss), non-GAAP net income (loss) per share, and free cash flow (collectively, the non-GAAP financial measures) each meet the definition of a non-GAAP financial measure.

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

Non-GAAP operating income (loss) and non-GAAP operating margin

We define non-GAAP operating income (loss) as operating income (loss) excluding expenses related to stock-based compensation (SBC), intangible assets amortization, and as applicable, other special items. Non-GAAP operating margin is defined as non-GAAP operating income (loss) divided by revenue. Although SBC is an important aspect of the compensation of our employees and executives, determining the fair value of certain of the stock-based instruments we utilize involves a high degree of judgment and estimation and the expense recorded may bear little resemblance to the actual value realized upon the vesting or future exercise of the related stock-based awards. Furthermore, unlike cash compensation, the value of stock options, which is an element of our ongoing stock-based compensation expense, is determined using a complex formula that incorporates factors, such as market volatility, that are beyond our control. For restricted stock unit awards, the amount of stock-based compensation expenses is not reflective of the value ultimately received by the grant recipients. Management believes it is useful to exclude SBC in order to better understand the long-term performance of our core business and to facilitate comparison of our results to those of peer companies. Management also views amortization of acquisition-related intangible assets, such as the amortization of the cost associated with an acquired company's developed technology and trade names, as items arising from pre-acquisition activities determined at the time of an acquisition. While these intangible assets are continually evaluated for impairment, amortization of the cost of purchased intangibles is a static expense, one that is not typically affected by operations during any particular period. Furthermore, Box excludes the following expenses as they are considered by management to be special items outside of Box's core operating results: (1) fees related to shareholder activism, which include directly applicable third-party advisory and professional service fees, (2) expenses related to certain litigation, and (3) expenses associated with restructuring activities, consisting primarily of severance and other personnel-related costs. There are no expenses related to litigation or restructuring activities excluded from non-GAAP operating income (loss) in any of the periods presented.

Non-GAAP net income (loss) and net income (loss) per share

We define non-GAAP net income (loss) as net loss excluding expenses related to stock-based compensation, intangible assets amortization and as applicable, other special items. We specifically identify other adjusting items in our reconciliation of GAAP to non-GAAP net income (loss). These items include expenses related to certain litigation because they are considered by management to be special items outside our core operating results. We define non-GAAP net income (loss) per share as non-GAAP net income (loss) divided by the weighted-average outstanding shares. Similarly, the same adjusting items specified in our reconciliation of GAAP to non-GAAP net income (loss) are also excluded from the calculation of non-GAAP net income (loss) per share.

Free Cash Flow

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

Limitations on the use of non-GAAP financial measures

A limitation of our non-GAAP financial measures is that they do not have uniform definitions. Our definitions will likely differ from the definitions used by other companies, including peer companies, and therefore comparability may be limited. Thus, our non-GAAP financial measures should be considered in addition to, not as a substitute for, or in isolation from, measures prepared in accordance with GAAP. Additionally, in the case of stock-based compensation expense, if we did not pay a portion of compensation in the form of stock-based compensation expense, the cash salary expense included in costs of revenue and operating expenses would be higher which would affect our cash position.

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

Our reconciliation of the non-GAAP financial measures for the three months ended April 30, 2020 and 2019 are as follows (in thousands, except per share data and percentages):

	Three Months Ended April 30, 2020	Three Months Ended April 30, 2019
GAAP operating loss	$ (24,240)	$ (35,381)
Stock-based compensation	40,043	32,362
Fees related to shareholder activism	1,402	—
Non-GAAP operating income (loss)	$ 17,205	$ (3,019)
GAAP operating margin	(13) %	(22) %
Stock-based compensation	22	20
Fees related to shareholder activism	—	—
Non-GAAP operating margin	9 %	(2) %
GAAP net loss	$ (25,550)	$ (36,828)
Stock-based compensation	40,043	32,362
Fees related to shareholder activism	1,402	—
Non-GAAP net income (loss)	$ 15,895	$ (4,466)
GAAP net loss per share, basic and diluted	$ (0.17)	$ (0.25)
Stock-based compensation	0.26	0.22
Fees related to shareholder activism	0.01	—
Non-GAAP net income (loss) per share, basic	$ 0.10	$ (0.03)
Non-GAAP net income (loss) per share, diluted	$ 0.10	$ (0.03)
Weighted-average shares used to compute GAAP net loss per share, basic and diluted	151,943	145,275
Weighted-average shares used to compute Non-GAAP net income (loss) per share		
Basic	151,943	145,275
Diluted	157,608	145,275
Net cash provided by operating activities	$ 61,917	$ 25,491
Purchases of property and equipment	(1,443)	(1,614)
Principal payments of finance lease liabilities	(17,356)	(9,154)
Capitalized internal-use software costs	(3,291)	(1,286)
Free cash flow	$ 39,827	$ 13,437
Net cash used in investing activities	$ (4,591)	$ (2,897)
Net cash provided by (used in) financing activities	$ 15,303	$ (8,941)

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We had cash, cash equivalents, and restricted cash of $268.4 million as of April 30, 2020. Our cash and cash equivalents primarily consist of overnight deposits, certificates of deposit, and money market funds. We do not expect our operating results or cash flows to be materially affected by a sudden change in market interest rates and we do not enter into investments for trading or speculative purposes.

Interest rate risk also reflects our exposure to movements in interest rates associated with the November 2017 Facility. As of April 30, 2020, we had total debt outstanding with a carrying amount of $70.0 million which approximates fair value. The revolving loans accrue interest at a prime rate plus a margin of 0.25% or, at our option, a LIBOR rate (based on one, three or six-month interest periods) plus a margin of 1.00%.

Effective September 5, 2019, we entered into a Swap Agreement with Wells Fargo Bank, National Association, in order to minimize our interest rate risk exposure due to the volatility of LIBOR. Under the Swap Agreement, we have hedged a portion of the variable interest payments of our debt by effectively fixing our interest payments over the five-year term of the agreement. As of April 30, 2020, our interest rate swap had a notional value of $30.0 million.

A hypothetical 10% increase or decrease in interest rates after April 30, 2020 under the November 2017 Facility and in connection with our interest rate swap agreement would not have a material impact on the combined net fair value of our outstanding debt and swap agreement.

Foreign Currency Risk

Our sales contracts are denominated predominantly in U.S. dollars. We support sales contracts denominated in 11 foreign currencies and consequently, our customer billings denominated in foreign currencies are subject to foreign currency exchange risk. Five of the 11 currencies are only offered at this time through our online sales experience and are required to be settled by credit cards; accordingly, our foreign currency exposure on these transactions is limited only to ordinary credit card settlement timeframes. A portion of our operating expenses are incurred outside the United States and are denominated in foreign currencies, which are also subject to fluctuations due to changes in foreign currency exchange rates. Our international subsidiaries maintain certain asset and liability balances that are denominated in foreign currencies. Additionally, fluctuations in foreign currency exchange rates can result in fluctuations in our total assets, liabilities, and cash flows and may cause us to recognize transaction gains and losses in our statement of operations impacting our revenue and operating expenses. To date we have managed our foreign currency risk by maintaining offsetting assets and liabilities and minimizing non-U.S. dollar cash balances, and have not entered into derivatives or hedging transactions as our exposure to foreign currency exchange rates has not been material to our historical operating results; however, we may do so in the future if our exposure to foreign currency should become more significant. There were no material foreign exchange gains or losses for any of the periods presented.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

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

PART II – OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

From time to time, we are a party to litigation and subject to claims that arise in the ordinary course of business. We investigate these claims as they arise and accrue estimates for resolution of legal and other contingencies when losses are probable and estimable. Although the results of litigation and claims cannot be predicted with certainty, we believe there was not at least a reasonable possibility that we had incurred a material loss with respect to such loss contingencies as of April 30, 2020.

Item 1A. 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 Quarterly Report on Form 10-Q, including in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our condensed consolidated financial statements and related notes, before making a decision to invest in our 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 near future.

We have incurred significant losses in each period since our inception in 2005. We incurred net losses of $144.3 million, $134.6 million and $155.0 million in our fiscal years ended January 31, 2020, 2019 and 2018, respectively, and $25.6 million in the three months ended April 30, 2020. As of April 30, 2020, we had an accumulated deficit of $1.3 billion. 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 product 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 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 near 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, including 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 from 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.

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

The market for cloud content management services is fragmented, rapidly evolving and highly competitive, with relatively low barriers to entry for certain applications and services. Many of our competitors and potential competitors are larger and have greater brand recognition, substantially longer operating histories, larger marketing budgets and significantly greater resources than we do. Our primary competitors in the cloud content management market include, but are not limited to, Microsoft and Open Text (Documentum). In the enterprise file sync and share market, our primary competitors include, but are not limited to, Microsoft, Google and, to a lesser extent, Dropbox. 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 be harmed. Some of our principal competitors offer their products or services at a lower price or for free, 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. Our competitors may be able to respond more quickly and effectively to new or changing opportunities, technologies, standards or customer requirements. Furthermore, some potential customers, particularly large enterprises, may elect to develop their own internal solutions. For any of these reasons, we may not be able to compete successfully against our current and future competitors.

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

The market for cloud-based enterprise services is not as mature as the on-premise enterprise software market. Because we derive, and expect to continue to derive, substantially all of our revenue and cash flows from sales of our cloud content management solutions, our success will depend to a substantial extent on the widespread adoption of cloud computing in general and of cloud-based content management services in particular. Many organizations have invested substantial personnel and financial resources to integrate traditional enterprise software into their organizations and, 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 the cloud content management market depends on a number of factors, including the cost, performance and perceived value associated with cloud computing, as well as the ability of companies that provide cloud-based services to address security and privacy concerns. If we or other providers of cloud-based services experience security incidents, loss or corruption of customer data, disruptions in delivery of services, network outages, disruptions in the availability of the internet or other problems, the market for cloud-based services as a whole, including our services, may be negatively affected. If there is a reduction in demand for cloud-based services caused by a lack of customer acceptance, technological challenges, weakening economic or political 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.

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 their 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 remains high, it has decreased over time, and may continue to decrease in the future, as some of our customers have elected and may elect not to renew their subscriptions with us or to decrease the scope of their deployments. Our retention rate was approximately 107% and 106% as of April 30, 2020 and 2019, respectively.

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, the performance of our partners and resellers, our pricing, the prices of competing products or services, mergers and acquisitions affecting our customer base, the effects of global economic conditions, such as those arising from the COVID-19 pandemic, or reductions in our customers' spending levels. If our customers do not renew their subscriptions, purchase fewer seats, renew them on less favorable terms or fail to purchase new product offerings, our revenue may decline, and we may not realize improved operating results from our customer base.

In addition, the growth of our business depends in part on our customers expanding their use of our services. The use of our cloud content management platform often expands within an organization as new users are added or as additional services are purchased by or for other departments within an organization. Further, as we have introduced new services throughout our operating history, our existing customers have constituted a significant portion of the users of such services. 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 successfully launch new products and services, or provide enhancements or modifications to our existing products and services, our business could be adversely affected.

Our industry is marked by rapid technological developments and new and enhanced applications and services. If we are unable to provide enhancements and new features for our existing services or offer new services that achieve market acceptance or that keep pace with rapid technological developments, our business could be adversely affected. For example, we provide Box Platform, which allows our customers to leverage Box's powerful content services within their own custom applications; Box KeySafe, a solution that builds on top of Box's strong encryption and security capabilities to give customers greater control over the encryption keys used to secure the file contents that are stored with Box; Box Zones, which gives global customers the ability to store their data locally in certain regions; Box Governance, which gives customers a better way to comply with regulatory policies, satisfy e-discovery requests and effectively manage sensitive business information; and Box Skills, which enables customers to leverage a variety of machine learning tools to accelerate their business processes and help extract meaning from customers unstructured content. In June 2019, we launched the all-new Box Relay, which provides our customers with powerful workflow automation tools to improve business processes. In addition, in October 2019 we launched Box Shield, a set of new content security controls and intelligent threat detection capabilities that enables enterprises to secure and protect their most valuable intellectual property and help prevent accidental data leakage, detect potential access misuse and proactively identify potential security threats. The success of any new products and services, enhancements, or modifications to existing products and services depends on several factors, including the timely completion, introduction and market acceptance of such enhancements, integrations, products or services. We also may experience business or economic disruptions that could adversely affect the productivity of our employees and result in delays in our product development process. For example, as a result of the COVID-19 pandemic, we are temporarily requiring, with certain exceptions, our employees to work remotely, which may lead to disruptions and decreased productivity that could result in delays in our product development process. Failure in this regard may significantly impair our revenue growth and our future financial results. 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 existing or 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 our or a customer's data could harm our business and operating results.

The services we offer involve the storage of large amounts of our customers' sensitive and proprietary information across a broad spectrum of industries. Additionally, we collect and store certain sensitive and proprietary information in the operation of our business, including trade secrets, employee data, and other confidential data. Cyberattacks 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. These increasing threats are being driven by a variety of sources including nation-state sponsored espionage and hacking activities, industrial espionage, organized crime, sophisticated organizations and hacking groups and individuals. These sources can also implement social engineering techniques to induce our partners, users, employees or customers to disclose passwords or other sensitive information or take other actions to gain access to our data or our users' data. Hackers that acquire user account information at other companies can attempt to use that information to compromise the accounts of personnel, or our users' accounts if an account shares the same sensitive information such as passwords. In addition, because the Box service is configured by administrators and users to select their default settings, the third-party integrations they enable, and their privacy and permissions settings, an administrator or user could intentionally or inadvertently configure settings to share their sensitive data. For example, a Box user can choose to share the content they store in Box with third-parties by creating a link that can be customized to be accessible by anyone with the link. While this feature is designed to be used for a variety of legitimate use cases in which a user wishes to share non-sensitive content with a broad or public audience, if a user were to intentionally or inadvertently configure a setting that allowed public access to their sensitive data, that data could be discovered and accessed by an unintended third party. As we increase our customer base and our brand becomes more widely known and recognized, and as our service is used in more heavily regulated industries where there may be a greater concentration of sensitive and protected data, such as healthcare, government, life sciences, and financial services, we may become more of a target for these malicious third parties.

If our security measures are or are believed to be inadequate or breached as a result of third-party action, employee negligence, error or malfeasance, product defects, social engineering techniques, improper user configuration or otherwise, and this results in, or is believed to result in, the disruption of the confidentiality, integrity or availability of our data or our customers' data, we could incur significant liability to various parties, including our customers and to individuals or organizations whose information is being stored by our customers, and our business may suffer and our reputation or competitive position may be damaged. Given that our customers manage significant amounts of sensitive and proprietary information on our platform, and many of our customers are in heavily regulated industries where there may be a greater concentration of sensitive and protective data, our reputation and market position are particularly sensitive to impacts from actual or perceived security breaches or concerns regarding security. Techniques used to obtain unauthorized access to, or to sabotage, systems or networks, are constantly evolving and generally are not recognized until launched against a target. Therefore, we may be unable to anticipate these techniques, react in a timely manner, or implement adequate preventive measures, and we may face delays in our detection or remediation of, or other responses to, security breaches and other security-related incidents. We also expect to incur significant costs in an effort to detect and prevent security breaches and other security-related incidents, and we may face increased costs and expend substantial resources in the event of an actual or perceived security breach or other security-related incident. Additionally, our service providers may suffer, or be perceived to suffer, data security breaches or other incidents that may compromise data stored or processed for us that may give rise to any of the foregoing.

Our customer contracts often include (i) specific obligations that we maintain the availability of the customer's data through our service and that we secure customer content against unauthorized access or loss, and (ii) provisions whereby we indemnify our customers for third-party claims asserted against them that result from our failure to maintain the availability of their content or securing the same from unauthorized access or loss. While our customer contracts 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 certain of these matters, if we experienced a widespread security breach or other incident that impacted a significant number of our customers to whom we owe indemnity obligations, we could be subject to indemnity claims or other damages that exceed our insurance coverage. We also cannot be certain that our insurance coverage will be adequate for data handling or data security liabilities actually incurred, that insurance will continue to be available to us on economically reasonable terms, or at all, or that any insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, including our financial condition, operating results, and reputation.

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

We sell to U.S. federal and state and foreign government customers, and we may increase sales to government entities in the future. Sales to government entities are subject to a number of additional challenges and risks. Selling to government entities can be highly competitive, expensive and time consuming, often requiring significant upfront time and expense without any assurance that these efforts will generate a sale. Government certification requirements may change, or we may lose one or more government certifications, and in doing so restrict our ability to sell into the government sector or maintain existing government customers until we have attained revised certifications. Government demand and payment for our products and services are affected by public sector budgetary cycles and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our solutions. For example, as a result of the COVID-19 pandemic, many government and municipalities are experiencing budget shortfalls, which may cause them to delay or reduce their technology spending. Moreover, an extended federal government shutdown resulting from budgetary decisions may limit or delay federal government spending on our solutions and adversely affect our revenue. Government entities may also have statutory, contractual or other legal rights to terminate contracts with us for convenience or due to a default, and any such termination may adversely affect our future operating results.

As a substantial portion of our sales efforts are increasingly focused on cloud content management use cases and are targeted at enterprise and highly-regulated customers, our sales cycles may become longer and more expensive, 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 focused on cloud content management use cases and are targeted at enterprise and highly-regulated customers, we face greater costs, longer sales cycles and less predictability in the completion of some of our sales. In this market segment, 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, support services, and features. Furthermore, our sales efforts may be impeded by catastrophic events, including public health epidemics such as the COVID-19 pandemic, that limit our ability to travel or meet customers in person. As a result of these factors, these sales opportunities may require us to devote greater sales support and professional services resources to these customers, which could increase our costs, lengthen our sales cycle and leave fewer sales support and professional services resources for other customers. Professional services may also be performed by a third party or a combination of our own staff and a third party. Our strategy is to work with third parties to increase the breadth of capability and depth of capacity for delivery of these services to our customers. If a customer is not satisfied with the quality or interoperability of our services with their own IT environment, we could incur additional costs to address the situation, which could adversely affect our margins. Moreover, any customer dissatisfaction with our services could damage our ability to encourage broader adoption of our services by that customer. In addition, any negative publicity resulting from such situations, regardless of its accuracy, may further damage our business by affecting our ability to compete for new business with current and prospective customers.

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 identifying information or information that otherwise is considered personal information. Federal, state and foreign government bodies and agencies have adopted or are considering adopting laws and regulations regarding the collection, use and disclosure of personal information obtained from consumers and other individuals. Foreign data protection, privacy, consumer protection and other laws and regulations, particularly in Europe, are often more restrictive than those in the United States. The costs of compliance with, and other burdens imposed by, such laws 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.

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 new laws coming into effect and/or proposals pending before federal, state and foreign legislative and regulatory bodies could affect our business. For example, the European Commission has enacted a General Data Protection Regulation (GDPR) that became effective in May 2018, superseding prior European Union (EU) data protection legislation, imposing more stringent EU data protection requirements, and providing for greater penalties for noncompliance of up to the greater of 20 million euros or four percent of a company's global revenue. The GDPR imposes significant obligations on companies regarding the handling of personal data. If we are unable to develop and offer services that meet our legal duties or help our customers meet their obligations under the GDPR or other laws or regulations relating to privacy, data protection, or information security, we may experience reduced demand for our services and become subject to significant fines and penalties, all of which would harm our business. Although U.S. and EU authorities reached agreement in 2016, regarding a means for legitimizing personal data transfers from the European Economic Area (EEA) to the United States under EU data protection law, the EU-U.S. Privacy Shield, it has faced legal challenges. It is unclear what effect these or any future challenges to the EU-U.S. Privacy Shield will have and whether it or the related Swiss-EU Privacy Shield will continue to function as an appropriate means for us to legitimize personal data transfers from the EEA or Switzerland to the U.S. Additionally, in 2018, the State of California enacted the California Consumer Privacy Act (CCPA), that became operative on January 1, 2020. The CCPA requires covered companies to, among other things, provide new disclosures to California consumers, and afford such consumers new abilities to opt-out of certain sales of personal information. The CCPA is the subject of proposed regulations issued by the California Attorney General in October 2019, but they have yet to be finalized. Aspects of the CCPA and its interpretation and enforcement remain unclear. We cannot fully predict the impact of the CCPA on our business or operations, but it may require us to modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply. There also 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. In June 2016, the United Kingdom voted to leave the European Union, commonly referred to as "Brexit," which resulted in the United Kingdom exiting the European Union on January 31, 2020. Brexit could also lead to further legislative and regulatory changes. The UK Data Protection Act that substantially implements the GDPR became law in May 2018, and was the subject of statutory amendments that further aligned it with the GDPR in 2019. It remains unclear, however, how United Kingdom data protection laws or regulations will develop in the medium to longer term and how data transfers to and from the United Kingdom will be regulated. In addition, some countries are considering or have enacted legislation requiring local storage and processing of data that could increase the cost and complexity of delivering our services.

These existing and proposed laws and regulations can be costly to comply with, can delay or impede the development or adoption of our products and services, reduce the overall demand for our products and services, increase our operating costs, require significant management time and attention, slow the pace at which we close (or prevent us from closing) sales transactions. Additionally, any actual or alleged noncompliance with these laws and regulations could result in negative publicity and subject us to investigations, claims or other remedies, including demands that we modify or cease existing business practices, and expose us to significant fines, penalties and other damages.

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. Our customers also expect, and in some instances require, us to meet voluntary certifications or adhere to standards established by third parties. Although we currently have certain certifications such as ISO/IEC 27018, we may not be successful in continuing to maintain those certifications or in obtaining other certifications. In addition, some of the industries we serve have industry-specific requirements relating to compliance with certain security and regulatory standards, such as GxP and FedRAMP, and those required by HIPAA, FINRA, and the HITECH Act. As we expand into new industry verticals and regions, we will likely need to comply with these and other new requirements to compete effectively. If we cannot adequately comply or if we incur a violation of one or more of these requirements, our growth could be adversely impacted, and we could incur significant liability and our reputation and business could be harmed.

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, although we also offer our services for terms ranging from one month to three years or more. As a result, most of the revenue we report in each quarter is the result of subscription agreements entered into during prior quarters. Consequently, a decline in new or renewed subscriptions in any one quarter may not be reflected in our revenue results for that quarter. However, any such decline will negatively affect our revenue in future quarters. Accordingly, the effect of significant downturns in sales, our failure to achieve our internal sales targets, a decline in the market acceptance of our services, or potential decreases 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 additional sales 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, tablets, desktop and mobile operating systems, as well as web browsers that we do not control. Any changes in such systems, devices or web browsers that degrade the functionality of our services or give preferential treatment to competitive services could adversely affect usage of our services. In order for us to deliver high quality services, it is important that these services work well with a range of operating systems, networks, infrastructure, 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 mobile 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, infrastructure, 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.

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

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 solutions and products with existing customers. To the extent we are successful in increasing our customer base, we could incur increased losses because costs associated with new customers are generally incurred up front, while revenue is recognized ratably over the term of our subscription services. Alternatively, to the extent we are unsuccessful in increasing our customer base, we could also incur increased losses as costs associated with marketing programs and new products intended to attract new customers would not be offset by incremental revenue and cash flow. Furthermore, if our customers do not expand their deployment of our services or purchase new products from us, our revenue may grow more slowly than we expect. Catastrophic events, such as the COVID-19 pandemic, may financially impact our existing and prospective customers and cause them to delay or reduce their technology spending, which may adversely affect our ability to attract new customers and expand deployment of our solutions and products with existing customers. All of these factors could 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, billings, gross margin, profitability, cash flow, deferred revenue, unrecognized revenue and remaining performance obligations, 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 version to paying customers;
- the addition or loss of large customers, including through acquisitions or consolidations;
- changes in our retention rate;
- the timing of revenue recognition;
- the impact on billings of shifting between annual and multi-year payment frequencies from our customers;
- the amount and timing of operating expenses related to the maintenance and expansion of our business, operations and infrastructure;
- network or service outages, internet disruptions, disruptions to the availability of our service, security breaches or perceived security breaches and vulnerabilities;
- general economic, industry and market conditions, including those caused by the COVID-19 pandemic;
- increases or decreases in the number of features or capabilities in our services or pricing changes upon any renewals of customer agreements;
- changes in our go-to-market strategies and/or pricing policies and/or those of our competitors;
- seasonal variations in our billings results and sales of our services, which have historically been highest in the fourth quarter of our fiscal year;
- the timing and success of new services and product introductions by us and our competitors or any other change in the competitive dynamics of our industry, including consolidation or new entrants among competitors, customers or strategic partners;
- changes in usage or adoption rates of the internet and content management services, including outside the United States;
- the success of our strategic partnerships, including the performance of our resellers; and
- the timing of expenses related to the development or acquisition of technologies or businesses and potential future charges for impairment of goodwill from acquired companies.

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

We have experienced significant growth in the number of users and the amount of data that our operations infrastructure supports. We 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, incidents of data corruption, service outages and other performance problems. These problems may be caused by a variety of factors, including infrastructure changes, changes to our core services architecture, changes to our infrastructure necessitated by legal and compliance requirements governing the storage and transmission of data, human or software errors, viruses, security attacks, fraud, spikes in customer usage, primary and redundant hardware or connectivity failures, dependent data center and other service provider failures and denial of service issues. Additionally, our ability to properly manage our technical operations infrastructure is dependent on the reliability of the global supply chain for hardware, network, and platform infrastructure equipment. Significant and unforeseen disruptions to the supply chain, including those resulting from the COVID-19 pandemic, may impede our ability to meet our infrastructure capacity requirements. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time, which may harm our reputation and operating results. Furthermore, if we encounter any of these problems in the future, our customers may lose access to important data or experience data corruption or service outages that may subject us to financial penalties, other liabilities and customer losses. 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 business.

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

We currently store and process our customers' information within multiple third-party data center hosting facilities located in Nevada and in third-party cloud computing and hosting facilities inside and outside of the United States. As part of our current disaster recovery arrangements, our production environment and metadata related to our customers' data is currently replicated in near real time in facilities located in Nevada. In addition, all of our customers' data is typically replicated on a third-party storage platform located inside and outside of the United States. These facilities may be located in areas prone to natural disasters and may experience events such as earthquakes, floods, fires, power loss, telecommunications failures and similar events. They may also be subject to break-ins, sabotage, intentional acts of vandalism, cyber-attacks and similar misconduct, including by state-sponsored or otherwise well-funded actors. Any damage to, or failure of, our systems generally, or those of the third-party cloud computing and hosting providers, 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. In addition, we may not have adequate insurance coverage to compensate for losses from a major interruption. Our business will also be harmed if our customers and potential customers believe our service is unreliable. Despite precautions taken at our third-party data center hosting facilities, the occurrence of natural or man-made disasters, security issues (including an act of terrorism or an armed conflict), certain geopolitical events, labor or trade disputes, or pandemics (such as COVID-19), could lead to a decision to close the facilities without adequate notice or other unanticipated problems that result in lengthy interruptions in our service or cause us to not comply with certification requirements. Even with the disaster recovery arrangements, we have never performed a full live failover of our services and, in an actual disaster, we could learn our recovery arrangements are not sufficient to address all possible scenarios and our service could be interrupted for a longer period than expected. For example, in September 2019, a modification to a perimeter network configuration caused an internal routing problem which led to all Box services being temporarily unavailable. As we continue to add data centers, increase our dependence on third-party cloud computing and hosting providers, and add capacity in our existing data centers, we may move or transfer our data and our customers' data. In particular, as part of our hybrid cloud infrastructure strategy, we are in the process of migrating our primary data centers to significantly lower cost regions in order to continue to optimize infrastructure efficiency and to support the growth in our paying customers. Despite precautions taken during any of these data center moves and data transfers, any unsuccessful data transfers may impair the delivery of our service and could materially and adversely disrupt our operations and our service delivery to our customers, which could result in contractual penalties or damage claims from customers. In addition, changes to our data center infrastructure could occur over a period longer than planned, could require greater than expected investment and other internal and external resources and could cause us to incur increased costs as we operate multiple data center facilities. It may also take longer to realize the intended favorable benefits from any data center infrastructure migrations and improvements than expected, and disruptions or unexpected costs may continue to occur while we enhance our data center infrastructure.

Our business is subject to the risks of natural disasters, pandemics and other catastrophic events.

The occurrence of any catastrophic event, including a pandemic (such as that related to COVID-19), earthquake, fire, flood, tsunami, or other weather event, power loss, telecommunications failure, software or hardware malfunctions, cyber-attack, war, or terrorist attack, could result in lengthy interruptions in our service. Our corporate headquarters is located in the San Francisco Bay Area, a region known for seismic activity. Our insurance coverage may not compensate us for losses that may occur in the event of an earthquake or other significant natural disaster. In addition, pandemics, acts of terrorism or war could cause disruptions to the Internet or the economy as a whole, which could have a significant impact on our business and operating results. Even with our disaster recovery arrangements, our services could be interrupted. Our partners, suppliers, and customers are also subject to the risk of catastrophic events. In those events, our ability to deliver our services in a timely manner, as well as the demand for our services, may be adversely impacted by factors outside our control. If our systems were to fail or be negatively impacted as a result of a natural disaster, pandemic or other catastrophic event, our ability to deliver our services to our customers would be impaired, we could lose critical data, our reputation could suffer and we could be subject to contractual penalties.

The continuing impacts of the COVID-19 pandemic may have an adverse effect on our business, operations and future financial performance.

In January 2020, the World Health Organization (WHO) declared COVID-19 a Public Health Emergency of International Concern, and in March 2020, declared it a pandemic. Governments and municipalities around the world have instituted measures to control the spread of COVID-19, including quarantines, shelter-in-place orders, school closings, travel restrictions, and closure of non-essential businesses. These measures have led to significant adverse economic impacts in the United States and other countries, which could adversely impact our business operations in a number of ways, including, without limitation, (1) disruptions to our sales operations and marketing efforts as a result of the inability of our sales team to travel and meet customers in person, (2) negative impacts on our customers that could affect demand for our services, including reduced or delayed spending on our services, and our ability to collect accounts receivable, and (3) negative impacts to the financial condition or operations of our vendors and business partners, as well as disruptions to the supply chain of hardware needed to offer our services. The extent to which the COVID-19 pandemic and resultant economic impact affects our business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted.

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 cloud content management 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 content management services and therefore secure excess data center capacity, or if we are unable to meet our contractual minimum commitments, 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 depends upon our continued ability to identify, hire, develop, motivate and retain highly skilled personnel, representing diverse backgrounds, experiences, and skill sets, including senior management, engineers, designers, product managers, sales representatives, and customer support representatives. 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, there may occasionally be changes in our senior management team that disrupt 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, as well as a diverse and inclusive work environment that enables all of our employees to prosper. Competition for highly skilled personnel is intense, particularly in the San Francisco Bay Area, where our headquarters is located. We may need to invest significant amounts of cash and equity to attract and retain new employees, and we may never realize returns on these investments. Changes to U.S. immigration and work authorization laws and regulations, including those that restrain the flow of technical and professional talent, can be significantly affected by political forces and levels of economic activity. Our international expansion and our business in general may be materially adversely affected if legislative or administrative changes to immigration or visa laws and regulations impair our hiring processes and goals or projects involving personnel who are not citizens of the country where the work is to be performed.

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 valid intellectual property rights of others. Our competitors, as well as a number of other entities, including non-practicing entities, and individuals, may own or claim to own intellectual property relating to our industry.

From time to time, certain other 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. During the course of any litigation, we may make announcements regarding the results of hearings and motions, and other interim developments. If securities analysts or investors regard these announcements as negative, the market price of our Class A common stock may decline.

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

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

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

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

We use open source software in our services and will use open source software in the future. In addition, we regularly contribute software source code to open source projects under open source licenses or release internal software projects under open source licenses, and anticipate doing so in the future. The terms of many open source licenses to which we are subject have not been interpreted by U.S. or foreign courts, and there is a risk that open source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to provide or distribute our services. Additionally, 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 code may contain bugs or other defects and open source licensors generally do not provide warranties or controls on the functionality or origin of software. Additionally, because any software source code we contribute to open source projects is publicly available, our ability to protect our intellectual property rights with respect to such software source code may be limited or lost entirely, and we are unable to prevent our competitors or others 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.

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 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. We depend upon these vendors to provide us with services that are always available and are free of errors or defects that could cause disruptions in our business processes, and any failure by these vendors to do so, or any disruptions in networks or the availability of the internet, would adversely affect our ability to operate and manage our operations.

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

Our services incorporate certain third-party software obtained under open source licenses or licenses from other companies. We anticipate that we will continue to rely on such third-party software and development tools in the future. Although we believe that there are commercially reasonable alternatives to the third-party software we currently license, this may not always be the case, or it may be difficult or costly to replace. In addition, integration of the software used in our services with new third-party software may require significant work and require substantial investment of our time and resources. Also, to the extent that our services depend upon the successful operation of third-party software in conjunction with our software, any undetected errors or defects in this third-party software could prevent the deployment or impair the functionality of our services, delay the introduction of new services introductions, result in a failure of our services, and injure our reputation. For example, we discovered that a bug in a third-party software library we use in our services caused a very small subset of certain files uploaded during a short period of time (from mid-December 2017 to early January 2018) to be stored in a partially-corrupted state. Our use of additional or alternative third-party software would require us to enter into additional license agreements with third parties. If we are unable to maintain licenses to software necessary to operate our business, or if third-party software that we use contains errors or defects, our costs may increase, or the services we provide may be harmed, which would adversely affect our business.

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

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

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

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

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 periods of downtime that exceed the periods allowed under our customer agreements, we may be obligated to provide these customers with service credits which could significantly impact our revenue in the period in which the downtime occurs and the credits could be due. For example, in September 2019, a modification to a perimeter network configuration caused an internal routing problem which led to all Box services being temporarily unavailable. We could also face subscription terminations, which could significantly impact both our current and future 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.

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

Our core services and our expanded offerings such as Box KeySafe, Box Governance, Box Zones, Box Platform, Box Relay and Box Shield are becoming increasingly mission-critical to our customers' internal and external business operations, as well as their ability to comply with legal requirements, regulations, and standards such as GxP, FINRA, HIPAA, and FedRAMP. These services and offerings 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 contract or warranty claims;

- issuance of sales credits or refunds for prepaid amounts related to unused subscription services;
- loss of customers;
- diversion of development and customer service resources; and
- harm to our reputation.

The costs incurred in correcting any material defects or errors might be substantial and could adversely affect our operating results. Further, our errors and omissions insurance may be inadequate or may not be available in the future on acceptable terms, or at all. In addition, our insurance may not cover all claims made against us and defending a lawsuit, regardless of its merit, could be costly and divert management's attention.

Because of the large amount of data that we collect and manage, it is possible that hardware failures, software errors, errors in our systems, or by third-party service providers, user errors, or internet outages could result in 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 have been required and, in the future, may be required to issue credits or refunds for prepaid amounts related to unused services or otherwise be liable to our customers for damages they may incur resulting from some of these events. 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.

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 of the United States. Operating in international markets requires significant resources and management attention and will subject us to regulatory, economic, geographic, social, 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;
- laws (and changes to such laws) relating to privacy, data protection and data transfer that, among other things, could require that customer data be stored and processed in a designated territory;
- difficulties in staffing and managing foreign operations;
- 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, including economic tariffs;

- changes in the geopolitical environment, the perception of doing business with U.S. based companies, and changes in regulatory requirements that impact our operating strategies, access to global markets or hiring;
- compliance challenges related to the complexity of multiple, conflicting and changing governmental laws and regulations, including employment, tax, privacy and data protection laws and regulations;
- increased financial accounting and reporting burdens and complexities;
- restrictions on the transfer of funds;
- reliance on third-party resellers and other parties;
- adverse tax consequences; and
- unstable regional, economic, social and political conditions.

We 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 assets with payables and by maintaining minimal non-U.S. dollar cash reserves, but we do not have any other hedging programs in place to limit the risk of exchange rate fluctuation. In the future, however, to the extent our foreign currency exposures become more material, we may elect to deploy normal and customary hedging practices designed to more proactively mitigate such exposure. We cannot be certain such practice will ultimately be available and/or effective at mitigating all foreign currency risk to which we are exposed. If we are unsuccessful in detecting material exposures in a timely manner, our deployed hedging strategies are not effective, or there are no hedging strategies available for certain exposures that are prudent given the risks associated and the potential mitigation of the underlying exposure achieved, our operating results or financial position could be adversely affected in the future.

We are also monitoring developments related to Brexit, which could have significant implications for our business. Brexit could lead to economic and legal uncertainty, including significant volatility in global stock markets and currency exchange rates, and differing laws and regulations as the United Kingdom determines which European Union laws to replace or replicate. Any of these effects of Brexit, among others, could adversely affect our operations, especially in the United Kingdom, and our financial results.

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

We will need to continue to optimize our sales infrastructure in order to grow our customer base and our business. Identifying and recruiting qualified personnel and training them requires significant time, expense and attention. Moreover, as a result of the COVID-19 pandemic, we are temporarily requiring, with certain exceptions, all of our employees to work remotely and restricting business travel, which may negatively impact our ability to recruit and/or train our sales force. Our business may be adversely affected if our efforts to expand and train our direct sales force do not generate a corresponding increase in revenue. If we are unable to hire, develop and retain talented sales personnel or if new direct sales personnel are unable to achieve desired productivity levels in a reasonable period of time, we may not be able to realize the intended benefits of this investment or increase our revenue.

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

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, resellers, distributors, system integrators and developers. For example, we have entered into agreements with partners such as AT&T, IBM, Microsoft and Google to market, resell, integrate with or endorse 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, partners and developers to create applications that will integrate with our platform or permit us to integrate with their product offerings. Our competitors may be effective in providing incentives to third parties to favor their products or services, or to prevent or reduce subscriptions to our services. In some cases, we also compete directly with our partners' product offerings, and if these partners stop reselling or endorsing our services or impede our ability to integrate our services with their products, our business and operating results could be adversely affected. 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, or realizing the anticipated benefits from such partnerships, our ability to compete in the marketplace or to grow our revenue could be impaired and our operating results may suffer. Even if we are successful, we cannot assure you that these relationships will result in increased customer usage of our services or increased revenue.

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.

We depend on our ecosystem of system integrators, partners and developers to create applications that will integrate with our platform or to allow us to integrate with their products.

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

- we cannot provide any assurance that these third-party applications and products meet the same quality standards that we apply to our own development efforts, and to the extent that they contain bugs or defects, 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;
- we cannot provide any assurance that we will be able to successfully integrate our services with our partners' products or that our partners will continue to provide us the right to do so; and
- these system integrators, partners and developers may not possess the appropriate intellectual property rights to develop and share their applications.

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 company 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. We expect to continue to hire additional employees as we expand our business. If we do not continue to develop our company culture or maintain our core values as we grow and evolve both in the United States and abroad, we may be unable to foster the innovation, creativity and teamwork we believe we need to support our growth.

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, teams of employees, and technologies rather than through internal development. The identification of suitable acquisition candidates can be difficult, time-consuming and costly, and we may not be able to successfully complete or integrate 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, as well as the acquired operations, technology and rights into our offerings, and any unanticipated expenses related to such integration;
- the need to implement or improve controls, procedures, and policies at a business that prior to the acquisition may have lacked effective controls, procedures and policies;
- liability for activities of the acquired company before the acquisition, including intellectual property infringement claims, violations of laws, commercial disputes, tax liabilities and other known and unknown liabilities;
- completing the transaction and achieving the anticipated benefits of the acquisition within the expected timeframe or at all;
- unanticipated write-offs, expenses, charges or risks associated with the transaction; and
- litigation or other claims in connection with the acquired company, including claims from terminated employees, customers, former stockholders or other third parties, which may differ from or be more significant than the risks our business faces.

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

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

On occasion, we may need additional financing to operate or grow our business. Our ability to obtain additional financing, if and when required, will depend on investor and lender demand, our operating performance, the condition of the capital markets and other factors. We cannot guarantee that additional financing will be available to us on favorable terms when required, or at all. If we raise additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences or privileges senior to the rights of our Class A common stock, and our existing stockholders may experience dilution. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support the operation or growth of our business could be significantly impaired and our operating results may be harmed.

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

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

Adverse economic conditions may negatively impact our business.

Our business depends on the overall demand for cloud content management services and on the economic health of our current and prospective customers. The United States and other key international economies have experienced cyclical downturns from time to time that have resulted in a significant weakening of the economy, more limited availability of credit, a reduction in business confidence and activity, and other difficulties that may affect one or more of the industries to which we sell our services. An economic downturn, recession, or uncertainty about economic conditions, including the effects of COVID-19, in the United States, Europe, Japan and other key markets for our services could cause customers to delay or reduce their information technology spending. This could result in reductions in sales of our services, longer sales cycles, reductions in subscription duration and value, slower adoption of new technologies and increased price competition. Any of these events would likely have an adverse effect on our business, operating results and financial position. In addition, there can be no assurance that cloud content management and collaboration spending levels will increase following any recovery.

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

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

For example, in December 2017, the Federal Communications Commission voted to repeal the "net neutrality" rules and return to a "light-touch" regulatory framework. However, the repeal has not yet taken effect and a number of parties have already stated their intent to appeal this order; thus, the future impact of such repeal and any challenge thereto remains uncertain. The rules were designed to ensure that all online content is treated the same by internet service providers and other companies that provide broadband services. Should the repeal of net neutrality rules take effect, access to or demand for our services could be hindered, we could incur greater operating expenses, and our business and results of operations.

In addition, the use of the internet and, in particular, the cloud as a business tool could be adversely affected due to delays in the development or adoption of new standards and protocols to handle increased demands of internet activity, security, reliability, cost, ease of use, accessibility, and quality of service. The performance of the internet and its acceptance as a business tool have been adversely affected by "viruses," "worms", "denial of service attacks" and similar malicious activity. The internet has also experienced a variety of outages, disruptions and other delays as a result of this malicious activity targeted at critical internet infrastructure. Moreover, COVID-19 has resulted in quarantines, shelter-in-place orders, and work from home directives, all of which have increased demand for internet access and may negatively impact internet access and performance. These service disruptions could diminish the overall attractiveness to existing and potential customers of services that depend on the internet and could cause demand for our services to suffer.

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

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, the Sarbanes-Oxley Act and the listing standards of the New York Stock Exchange (NYSE). We expect that compliance with these rules and regulations will continue to increase our legal, accounting and financial compliance costs, make some activities more difficult, time consuming and costly, and place significant strain on our personnel, systems and resources.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures, and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file with the SEC is properly recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. We are also continuing to improve our internal control over financial reporting. We have expended, and anticipate that we will continue to expend, significant resources in order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting.

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

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

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

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

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

As of January 31, 2020, we had U.S. federal net operating loss carryforwards of approximately \$735.7 million, state net operating loss carryforwards of approximately \$685.7 million, and foreign net operating loss carryforwards of approximately \$320.6 million. Under Sections 382 and 383 of Internal Revenue Code of 1986, as amended, if a corporation undergoes an “ownership change,” the corporation’s ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes, such as research tax credits, to offset its post-change income and taxes may be limited. In general, an “ownership change” occurs if there is a cumulative change in our ownership by “5% shareholders” that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws. We have in the past experienced an ownership change which has impacted our ability to fully realize the benefit of these net operating loss carryforwards. If we experience additional ownership changes as a result of future transactions in our stock, then we may be further limited in our ability to use our net operating loss carryforwards and other tax assets to reduce taxes owed on the net taxable income that we earn. Any such limitations on the ability to use our net operating loss carryforwards and other tax assets could adversely impact our business, financial condition and operating results.

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

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

In addition, existing tax laws, statutes, rules, regulations or ordinances could be interpreted or applied adversely to us, possibly with retroactive effect, which could require us or our customers to pay additional tax amounts, as well as require us or our customers to pay fines or penalties, as well as interest for past amounts. If we are unsuccessful in collecting such taxes due from our customers, we could be held liable for such costs, thereby adversely impacting our operating results and cash flows.

We may be subject to additional tax liabilities.

We are subject to income, sales, use, value added and other taxes in the United States and other countries in which we conduct business, and such laws and rates vary by jurisdiction. Certain jurisdictions in which we do not collect sales, use, value added or other taxes on our sales may assert that such taxes are applicable, which could result in tax assessments, penalties and interest, and we may be required to collect such taxes in the future. Significant judgment is required in determining our worldwide provision for income taxes. These determinations are highly complex and require detailed analysis of the available information and applicable statutes and regulatory materials. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different from our historical tax practices, provisions and accruals. If we receive an adverse ruling as a result of an audit, or we unilaterally determine that we have misinterpreted provisions of the tax regulations to which we are subject, there could be a material effect on our tax provision, net loss or cash flows in the period or periods for which that determination is made. In addition, liabilities associated with taxes are often subject to an extended or indefinite statute of limitations period. Therefore, we may be subject to additional tax liability (including penalties and interest) for a particular year for extended periods of time.

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

Generally accepted accounting principles (GAAP) in the United States are subject to interpretation by the Financial Accounting Standards Board (FASB), the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and could affect the reporting of transactions completed before the announcement of a change. For example, in February 2016, the FASB issued accounting standards update No. 2016-02, which requires lessees to record most leases on their balance sheet while recognizing expense in a manner similar to current lease accounting guidance. ASU 2016-02 states that a lessee would recognize a lease liability for the obligation to make lease payments and a right-to-use asset for the right to use the underlying asset for the lease term. The new accounting guidance was effective for us beginning February 1, 2019 and our financial statements were materially affected as discussed in our Annual Report on Form 10-K for the year ended January 31, 2020. In addition, were we to change our critical accounting estimates, including the timing of recognition of subscription revenue and other revenue sources, our results of operations could be significantly impacted. These or other changes in accounting principles could adversely affect our financial results. Any difficulties in implementing these pronouncements could cause us to fail to meet our financial reporting obligations, which could result in regulatory discipline and harm investors' confidence in us.

Risks Related to Ownership of Our Class A Common Stock

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

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

- authorizing a classified board of directors whose members serve staggered three-year terms;
- authorizing "blank check" preferred stock, which could be issued by our board of directors without stockholder approval and may contain voting, liquidation, dividend and other rights superior to our Class A common stock;

- limiting the liability of, and providing indemnification to, our directors and officers;
- limiting the ability of our stockholders to call and bring business before special meetings;
- requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our board of directors; and
- controlling the procedures for the conduct and scheduling of board directors and stockholder meetings.

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

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

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

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

The market price of our Class A common stock has been and may continue to be subject to wide fluctuations in response to various factors, some of which are beyond our control and may not be related to our operating performance. For example, from May 1, 2019 through April 30, 2020, the closing price of our Class A common stock ranged from $9.12 per share to $20.81 per share. In addition to the factors discussed in this "Risk Factors" section and elsewhere in this Form 10-Q, factors that could cause fluctuations in the market price of our Class A common stock include the following:

- price and volume fluctuations in the overall stock market from time to time;
- volatility in the market prices and trading volumes of technology stocks;
- changes in operating performance and stock market valuations of other technology companies generally or those in our industry in particular;
- sales of shares of our Class A common stock by us or our stockholders;
- failure of securities analysts to maintain coverage and/or to provide accurate consensus results of us, changes in financial estimates by securities analysts who follow us, or our failure to meet these estimates or the expectations of investors;
- the financial projections we may provide to the public, any changes in those projections or our failure to meet those projections;
- announcements by us or our competitors of new products or services;
- the public's reaction to our press releases, other public announcements and filings with the SEC;
- rumors and market speculation involving us or other companies in our industry;
- actual or anticipated changes in our operating results or fluctuations in our operating results;
- actual or anticipated developments in our business, our competitors' businesses or the competitive landscape generally;
- litigation involving us, our industry or both, or investigations by regulators into our operations or those of our competitors;
- developments or disputes concerning our intellectual property or other proprietary rights;
- announced or completed acquisitions of businesses or technologies by us or our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- network or service outages, internet disruptions, the availability of our service, security breaches or perceived security breaches and vulnerabilities;

- changes in accounting standards, policies, guidelines, interpretations or principles;
- actions instituted by activist shareholders or others;
- any significant change in our management; and
- general economic conditions and slow or negative growth of our markets.

In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. Any future securities litigation could result in substantial costs and a diversion of our management's attention and resources.

Our business could be negatively affected as a result of activist shareholders.

Responding to actions by activist shareholders could be costly and time-consuming, disrupt our operations and divert the attention of management and our employees. Additionally, perceived uncertainties as to our future direction as a result of shareholder activism or changes to the composition of our board of directors may lead to the perception of a change in the direction of our business or other instability, which may be exploited by our competitors, cause concern to our current or potential customers, and make it more difficult to attract and retain qualified personnel. If customers choose to delay, defer or reduce transactions with us or do business with our competitors instead of us, then our business, financial condition and operating results would be adversely affected. In addition, our share price could experience periods of increased volatility as a result of shareholder activism.

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

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

We do not expect to declare any dividends in the foreseeable future.

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

Items 2, 3, 4 and 5 are not applicable and have been omitted.

Item 6. EXHIBITS

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

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.1	Agreement, dated as of March 22, 2020, by and between Box, Inc. and Starboard Value LP	8-K	001-36805	10.1	March 23, 2020
10.2	Amendment No. 2 to Credit Agreement, dated September 27, 2019, by and between Box, Inc. and Wells Fargo Bank, National Association				
10.3	Amendment No. 3 to Credit Agreement, dated April 17, 2020, by and between Box, Inc. and Wells Fargo Bank, National Association				
10.4	First Amendment to Office Lease between Box, Inc. and Redwood City Partners, LLC, dated as of March 17, 2015				
10.5	Second Amendment to Office Lease between Box, Inc. and Redwood City Partners, LLC, dated as of October 22, 2015				
10.6	Third Amendment to Office Lease between Box, Inc. and Redwood City Partners, LLC, dated as of September 21, 2017				
10.7	Fourth Amendment to Office Lease between Box, Inc. and Redwood City Partners, LLC, dated as of November 6, 2018				
10.8	Fifth Amendment to Office Lease between Box, Inc. and Redwood City Partners, LLC, dated as of April 30, 2019				
10.9*	Box, Inc. Outside Director Compensation Policy, amended and restated on April 9, 2020				
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1□	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
101.INS	Inline XBRL Instance Document.				
101.SCH	Inline XBRL Taxonomy Schema Linkbase Document.				
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document.				
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document.				
101.LAB	Inline XBRL Taxonomy Labels Linkbase Document.				
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document.				
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)				

* Indicates a management contract or compensatory plan or arrangement.

□ The certifications attached as Exhibit 32.1 that accompany this Quarterly Report on Form 10-Q are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Box, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

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

Date: June 4, 2020

BOX, INC.

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

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

Exhibit 10.2

WELLS FARGO BANK, NATIONAL ASSOCIATION

September 27, 2019

Box, Inc.
900 Jefferson Ave.
Redwood City, CA 94063
Attention: Chief Financial Officer

Re: Amendment.

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of November 27, 2017 (as amended by Amendment No. 1 to Credit Agreement dated as of July 12, 2019 and in effect on the date hereof, the "Credit Agreement"), by and between BOX, INC. (the "Borrower") and WELLS FARGO BANK, NATIONAL ASSOCIATION (the "the Lender"). Capitalized terms not defined in this letter agreement are used herein as defined in the Credit Agreement.

The Borrower has requested certain amendments to the Credit Agreement as set forth in the following sentence. Upon effectiveness hereof, the Lender and the Borrower hereby agree that:

(i) The last sentence of Section 2.04 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"In the event that no notice of continuation or conversion, or an incomplete notice of continuation or conversion, is received by the Lender with respect to outstanding LIBOR Loans, then upon expiration of the Interest Period(s) applicable thereto, such Loans shall automatically be continued for an additional Interest Period equal to one month; provided that if an Event of Default or Potential Event of Default has occurred and is continuing, such Loans shall convert to Prime Rate Loans."; and

(ii) Article VIII of the Credit Agreement is hereby amended by adding thereto a new Section 8.22 as follows:

"Section 8.22. Hedge Agreements. Notwithstanding anything to the contrary set forth herein, at any time when an interest rate Hedge Agreement between the Borrower and the Lender (or any (an "Interest Rate Swap") is in effect in connection with any LIBOR Loan, the following provisions shall apply with respect to a portion of such Loan equal to the lesser of (x) the outstanding principal balance of such Loan and (y) the notional amount of the related Interest Rate Swap (the "Hedge Portion"):

(a) With respect to the Hedge Portion, no Prime Rate interest option shall be available. and

(b) With respect to the Hedge Portion, the following definition of "Interest Period" shall apply:

"Interest Period": with respect to any LIBOR Loan for which an Interest Rate Swap has been executed, a period of one month, provided that (i) the initial Interest Period shall commence on the later of (A) the effective date of such Interest Rate Swap, and (B) the date of disbursement of such Loan, and shall continue up to, but shall not include, the fifth day of the immediately succeeding month, (ii) thereafter, each Interest Period shall commence automatically, without notice to or consent from the Borrower, on the fifth day of each month and continue up to, but shall not include, the fifth day of the immediately succeeding month and (iii) for any Interest Period commencing within one month of the Maturity Date, such Interest Period shall end on the Maturity Date. An Interest Period that commences with respect to a Hedge Portion hereunder shall continue until its scheduled expiration date in accordance with the foregoing definition notwithstanding the termination of the Interest Rate Swap during such Interest Period.

The Borrower understands and acknowledges that (i) any Interest Rate Swap constitutes an independent agreement between the Borrower and the Lender and will be unaffected by any repayment, prepayment, acceleration, reduction, increase or change in the terms of this Agreement, except as otherwise expressly provided in the documentation for the Interest Rate Swap, (ii) nothing in this Agreement shall be construed as a modification of an Interest Rate Swap or create an obligation to amend an Interest Rate Swap, (iii) the Borrower may incur losses or reductions in benefits related to differences between the economic terms and characteristics of this Agreement and those of a related Interest Rate Swap (including, without limitation, differences with respect to maturity dates, payment dates and methods for determining interest rates and differences between borrowings hereunder and the notional amount of an Interest Rate Swap), and the Lender is under no obligation to ensure that there are no differences or that differences will not arise hereafter, including, without limitation, differences between usage hereunder and the notional amount of an Interest Rate Swap, and (iv) the Lender has no obligation to modify, renew or extend the Maturity Date to match the maturity date of an Interest Rate Swap."

The provisions of this letter agreement shall be effective upon the date of the Lender's receipt of counterparts of this letter agreement executed by the Lender and the Borrower, and the Lender shall confirm such effectiveness to the Borrower via email. Upon such effectiveness, all references to the Credit Agreement in the Loan Documents shall refer to the Credit Agreement as amended by this letter agreement.

The Borrower hereby confirms that (i) the representations and warranties contained in Article V of the Credit Agreement and in the other Loan Documents are true, correct and complete in all material respects (or, in the case of any such representation or warranty already qualified by materiality or reference to Material Adverse Effect, in all respects) on and as of the date hereof as though made on and as of the date hereof, except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties were true, correct and complete in all material respects (or, in the case of any such representation or warranty already qualified by materiality or reference to Material Adverse Effect, in all respects) on and as of such earlier date and (ii) no Event of Default or Potential Event of Default has occurred and is continuing.

Except as specifically modified herein, the Credit Agreement and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed by the Borrower in all respects. This letter agreement may be executed in any number of identical counterparts, any set of which signed by all the parties hereto shall be deemed to constitute a complete, executed original for all purposes. Transmission by facsimile, “pdf” or similar electronic copy of an executed counterpart of this letter agreement shall be deemed to constitute due and sufficient delivery of such counterpart. This letter agreement shall be governed by, construed and enforced in accordance with, the laws of the State of California without reference to conflicts of law rules.

[This Space Intentionally Left Blank]

This letter agreement is a Loan Document as defined in the Credit Agreement, and the expense reimbursement, indemnification, waiver of jury trial, consent to jurisdiction and other provisions of the Credit Agreement generally applicable to Loan Documents are applicable hereto and incorporated herein by this reference and this letter agreement shall be interpreted, construed and enforced as if all such provisions were set forth in full in this letter agreement.

Sincerely,

WELLS FARGO BANK, NATIONAL ASSOCIATION, as the Lender

By: /s/ Wendy Wong
Name: Wendy Wong
Title: Director

Accepted and agreed to:

BOX, INC.,
a Delaware corporation

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

Exhibit 10.3

EXECUTION VERSION

WELLS FARGO BANK, NATIONAL ASSOCIATION

April 17, 2020

Box, Inc.
900 Jefferson Ave.
Redwood City, CA 94063
Attention: Chief Financial Officer

Re: Amendment No. 3 to Credit Agreement.

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of November 27, 2017 (as amended by that certain Amendment No. 1 dated as of July 12, 2019, that certain letter agreement dated as of September 27, 2019 and as otherwise amended, restated or otherwise modified and in effect immediately prior to the date hereof, the "Credit Agreement"), by and between BOX, INC. ("Borrower") and WELLS FARGO BANK, NATIONAL ASSOCIATION ("Lender"). Capitalized terms not defined in this letter agreement (this "Amendment No. 3") are used herein as defined in the Credit Agreement.

The Borrower has requested certain amendments to the Credit Agreement as set forth herein. Upon effectiveness of this Amendment No. 3, the Lender and the Borrower hereby agree that:

(i) Section 6.02(b)(xvi) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(xvi) "Purchase Obligations" of the type described in the "Contractual Obligations and Commitments" section of the "Liquidity and Capital Resources" disclosure set forth in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Borrower's Annual Report on Form 10-K for the fiscal year ended January 31, 2020 (the "2020 Form 10-K") incurred in the ordinary course of business; provided that the aggregate principal amount of such "Purchase Obligations" due within three years (as denoted by the columns "Less than 1 Year" and "1-3 Years" in the 2020 Form 10-K), measured as of the date of each Form 10-K or Form 10-Q filed during the term of this Agreement, shall not exceed $120,000,000; and".

(ii) Exhibit B (Compliance Certificate) of the Credit Agreement is hereby amended and restated in its entirety with Exhibit B attached hereto in Annex A.

The provisions of this Amendment No. 3 shall be effective upon the date of the Lender's receipt of counterparts of this Amendment No. 3 executed by the Lender and the Borrower, and Lender shall confirm such effectiveness to Borrower via email. Upon such effectiveness, all references to the Credit Agreement in the Loan Documents shall refer to the Credit Agreement as amended by this Amendment No. 3.

The Borrower hereby confirms that (i) the representations and warranties contained in Article V of the Credit Agreement and in the other Loan Documents are true, correct and complete in all material respects (or, in the case of any such representation or warranty already qualified by materiality or reference to Material Adverse Effect, in all respects) on and as of the date hereof as though made on and as of the date hereof, except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties were true, correct and complete in all material respects (or, in the case of any such representation or warranty already qualified by materiality or reference to Material Adverse Effect, in all respects) on and as of such earlier date and (ii) no Event of Default or Potential Event of Default has occurred and is continuing.

Except as specifically modified herein, the Credit Agreement and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed by the Borrower in all respects. This Amendment No. 3 may be executed in any number of identical counterparts, any set of which signed by all the parties hereto shall be deemed to constitute a complete, executed original for all purposes. Transmission by facsimile, "pdf" or similar electronic copy of an executed counterpart of this letter agreement shall be deemed to constitute due and sufficient delivery of such counterpart. The words "execution," "signed," "signature," "delivery," and words of like import in or relating to this Amendment No. 3 or any document to be signed in connection with this Amendment No. 3 and the transactions contemplated hereby shall be deemed to include electronic signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the federal Electronic Signatures in Global and National Commerce Act, the California Uniform Electronic Transactions Act, or any other state laws based on the Uniform Electronic Transactions Act, and the parties to this Amendment No. 3 consent to conduct the transactions contemplated hereunder by electronic means. This Amendment No. 3 shall be governed by, construed and enforced in accordance with, the laws of the State of California without giving effect to its choice of law principles which would result in the application of the law of another jurisdiction.

[This Space Intentionally Left Blank]

This letter agreement is a Loan Document as defined in the Credit Agreement, and the expense reimbursement, indemnification, waiver of jury trial, consent to jurisdiction and other provisions of the Credit Agreement generally applicable to Loan Documents are applicable hereto and incorporated herein by this reference and this letter agreement shall be interpreted, construed and enforced as if all such provisions were set forth in full in this letter agreement.

Sincerely,

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Lender

By: /s/Wendy Wong
Name: Wendy Wong
Title: Director, Relationship Manager

[Signature Page to Letter Agreement – Amendment No. 3]

Accepted and agreed to:

BOX, INC.,
a Delaware corporation

By:	/s/Dylan Smith
Name:	Dylan Smith
Title:	CFO

ANNEX A

(see attached)

EXHIBIT B

COMPLIANCE CERTIFICATE

____________ ___, 202__

THE UNDERSIGNED HEREBY CERTIFIES AS FOLLOWS:

1. I am the Chief Financial Officer of BOX, INC. (the "Borrower").

2. Reference is made to that certain Credit Agreement dated as of November 27, 2017 (as supplemented, amended, modified, amended and restated or replaced in writing from time to time, the "Credit Agreement", the terms defined therein and not otherwise defined herein being used herein as therein defined), by and between BOX, INC., a Delaware corporation (the "Borrower"), and WELLS FARGO BANK, NATIONAL ASSOCIATION (the "Lender"). All terms used but not otherwise defined herein shall have the meanings set forth in the Credit Agreement.

3. [No Potential Event of Default or Event of Default is continuing as of the date of delivery of this Compliance Certificate.]

   [OR]

   [A Potential Default or Event of Default is continuing as of the date of delivery of this Compliance Certificate. The nature of such Potential Default or Event of Default is ____________________. The action that the Borrower proposes to take with respect thereto is ______________________.]

4. Attached hereto as Annex A are the calculations used in determining the financial covenants set forth in Section 6.03(a), Section 6.03(b) and Section 6.02(b)(xvi) of the Credit Agreement, in each case, as of the date of this Compliance Certificate.

The foregoing certifications, together with the computations set forth in Annex A hereto are made and delivered as of the date first set forth above pursuant to the Credit Agreement.

BOX, INC.

By: ________________________________
Name: ________________________________
Title: ________________________________

ANNEX A

To Compliance Certificate

I. **Section 6.03(a) – Minimum Liquidity**	
a. Liquidity	
i. Amount without duplication of Eligible Accounts Receivable of the Borrower (on a consolidated basis) at such time:	**$**
ii. Amount of Unrestricted Cash of the Borrower and any other Loan Part at such time:	**$**
1. Unrestricted cash, plus	**$**
2. unrestricted Cash Equivalents, in each case, of the Borrower and any other Loan Party in deposit or securities accounts (or any combination thereof) held with the Lender or any of its Affiliates, or with any other financial institution, with respect to which the Lender has received an account control agreement over such account	**$**
b. The **sum** of Line I.a.i and Line I.a.ii	**$**
c. ***Minimum required at all times:***	**$ 150,000,000**
II. **Section 6.03(b) – Leverage Ratio**	
a. Borrower and Subsidiaries' total Debt	
i. Outstanding Letters of Credit issued under the Agreement (including all outstanding unreimbursed amounts under Letters of Credit)	**$**
ii. Debt outstanding under the Agreement	**$**
iii. Capital Leases	**$**
iv. Without duplication, Line II.a.i **plus** Line II.a.ii **plus** Line II.a.iii	**$**
b. EBITDA:	
i. Consolidated Net Income:	**$**
ii. Add-backs:	
1. Depreciation and amortization:	**$**
2. Provision (benefits) for income tax	**$**
3. Consolidated Total Interest Expense	**$**
4. Non-cash expenses, losses and charges, including, without limitation, non-cash compensation-based expenses:	**$**
5. Extraordinary, unusual or non-recurring expenses, losses and charges, including, without limitation, restructuring charges and costs, fees and expenses incurred by Borrower or its Subsidiaries in connection with any Permitted Acquisition	**$**
6. Other expenses, losses or charges agreed to by the Lender:	**$**
7. Total adjustments (**sum** of Line II.b.ii.1 through Line II.b.ii.6)	**$**

iii.Average Deferred Revenue Change	**$**
iv.Adjusted EBITDA (Line II.b.i plus Line II.b.ii.7 plus Line II.b.iii)	
c.Line II.a.iv divided by Line II.b.iv:	**_____ : 1.00**
d.***Maximum permitted Leverage Ratio***:	**2.50:1.00**
III.<u>Section 6.02(b)(xvi) – Purchase Obligations</u>	
a.Purchase Obligations due Less Than 1 Year:	**$**
b.Purchase Obligations due Year 1 – Year 3:	**$**
c.The **<u>sum</u>** of Line III.a and Line III.b:	**$**
*d.**Maximum permitted:***	**$120,000,000**

Exhibit 10.4

FIRST AMENDMENT TO OFFICE LEASE

This FIRST AMENDMENT TO OFFICE LEASE ("**First Amendment**") is made and entered into as of the 17th day of March, 2015, by and between REDWOOD CITY PARTNERS, LLC, a Delaware limited company ("**Landlord**"), and BOX, INC., a Delaware corporation ("**Tenant**").

R E C I T A L S :

A. Landlord and Tenant entered into that certain Office Lease dated September 15, 2014 (the "**Lease**"), whereby Landlord leases to Tenant and Tenant leases from Landlord those certain premises (the "**Premises**") consisting of a total of 334,212 rentable square feet of space, to be located within those certain office buildings (the "**Buildings**") located 900 Jefferson Avenue, Redwood City, California and 900 Middlefield Avenue, Redwood City, California.

B. Landlord and Tenant desire amend the Lease as hereinafter provided.

A G R E E M E N T :

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. **Capitalized Terms.** All capitalized terms when used herein shall have the same meaning as is given such terms in the Lease unless expressly superseded by the terms of this First Amendment.

2. **Outlines of Premises; Retail Space; Project Management Office.** Landlord has elected to modify the location of the service corridor serving the Retail Space on the ground floor level of the Project. In connection with the foregoing, notwithstanding anything to the contrary set forth in the Lease, effective as of the date of this First Amendment, (i) the first page of "**Exhibit A-1**" attached to the Lease, depicting the ground floor of the Project, is hereby deleted and replaced with the page attached hereto as "**Exhibit A-1**", (ii) the Retail Space is deemed to contain a stipulated total of 5,455 rentable square feet, (iii) Building B is deemed to contain a stipulated total of 113,790 rentable square feet, (iv) the Project is deemed to contain a stipulated total of 339,987 rentable square feet, (v) at all times Landlord shall be entitled to maintain a management office on the ground floor level of the Project consisting of 320 rentable square feet, and accordingly the phrase "; provided that as long as the Office Space Leasing Requirement is satisfied, any such management office space shall not be located in the Project, and, in any event, the size of any such management office space shall be comparable to the size of the management offices of the landlords of the Comparable Buildings, with adjustment where appropriate for the size of the applicable project" set forth in Section 4.2.4(vii) of the Lease is hereby deleted and of no further force or effect), and (vi) at all times, Landlord and the other Landlord Parties shall have the right to enter the Building B Lobby in order to obtain access to the management office.

3. **Disbursement of Improvement Allowance.** Notwithstanding any provision to the contrary contained in the Lease, effective as of the date of this First Amendment, rather than disbursing the Improvement Allowance directly to the Contractor and/or Tenant's Agents, Landlord shall disburse the Improvement Allowance directly to Tenant following receipt of executed, unconditional mechanic's lien releases, which comply with the appropriate provisions, as reasonably determined by Landlord, of California Civil Code Sections 8134 and/or 8138 and provided that Tenant otherwise complies with the other terms and provisions of the Work Letter and disbursement requirements set forth therein.

4. **Delivery Date and Lease Commencement Date.** Landlord and Tenant acknowledge and agree that Landlord satisfied the "Delivery Condition" (as defined in Section 1.2 of the Work Letter attached to the Lease as **Exhibit B**) with respect to Building A and Building B on March *5,* 2015, and that for all purposes under the Lease, such date shall each be a "Delivery Date." Accordingly, subject to the occurrence of the Final Condition Date (as defined in Section 1.3 of the Work Letter), the Building A Lease Commencement Date shall occur on September 6, 2015, and the Building B Lease Commencement Date shall occur on January 1, 2017. Notwithstanding the foregoing, pursuant to the terms of Section 2.1 of the Lease, Tenant shall have the right to occupy the Premises prior to the commencement of the applicable Lease Commencement Date for the conduct of its business, on a floor-by-floor basis, subject to, and in accordance with the terms of Section 2.1 of the Lease, including the obligation to pay Base Rent (at the amount otherwise due with respect to such portion of the Premises as of the applicable Lease Commencement Date), Tenant's Share of Direct Expenses, and all other Additional Rent. The foregoing right to occupy the Premises shall apply to any Transferees occupying the Premises, subject to Article 14 of the Lease. Tenant's Transferees entry in to the Premises or portion thereof for purposes of designing, constructing and installing improvements or installing and testing furniture, fixtures and equipment in the Premises shall not constitute the conduct of

business by Tenant or by Tenant's Transferees for the purpose of any Tenant obligation to pay Landlord any (i) Base Rent, (ii) annual Direct Expenses, and (iii) Additional Rent, due under the Lease as the same is modified and amended by this First Amendment.

5. **Broker.** Landlord and Tenant hereby warrant to each other that they have had no dealings with any real estate broker or agent in connection with the negotiation of this First Amendment (the ''**Broker**"), and that they know of no other real estate broker or agent who is entitled to a commission in connection with this First Amendment. Each party agrees to indemnify and defend the other party against and hold the other party harmless from and against any and all claims, demands, losses, liabilities, lawsuits, judgments, and costs and expenses (including, without limitation, reasonable attorneys' fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of the indemnifying party's dealings with any real estate broker or agent, other than the Broker. The terms of this Section 5 shall survive the expiration or earlier termination of the term of the Lease, as hereby amended.

6. **Conflict; No Further Modification.** In the event of any conflict between the terms and provisions of the Lease and the terms and provisions of this First Amendment, the terms and provisions of this First Amendment shall prevail. Except as specifically set forth in this First Amendment, all of the terms and provisions of the Lease shall remain unmodified and in full force and effect.

[signatures follow on next page]

IN WITNESS WHEREOF, Landlord and Tenant have caused this First Amendment to be executed the day and date first above written.

"LANDLORD":

REDWOOD CITY PARTNERS, LLC
a Delaware limited liability company

By: KR Redwood City Member, LLC,
a Delaware limited liability company,
Its: Managing Member

By: Kilroy Realty, L.P.,
a Delaware limited partnership
Its: Sole Member

By: Kilroy Realty Corporation
a Maryland corporation
Its: General Partner

By: /s/Jeffrey C. Hawken
Name: Jeffrey C. Hawken
Its: Executive Vice President Chief Operating Officer

By: /s/Richard Buziak
Name: Richard Buziak
Its: Senior Vice President Asset Management

"**TENANT**":

BOX, INC.,
a Delaware corporation

By: /s/Peter McGoff
Name: Peter McGoff
Its: SVP, GC & Corporate Secretary

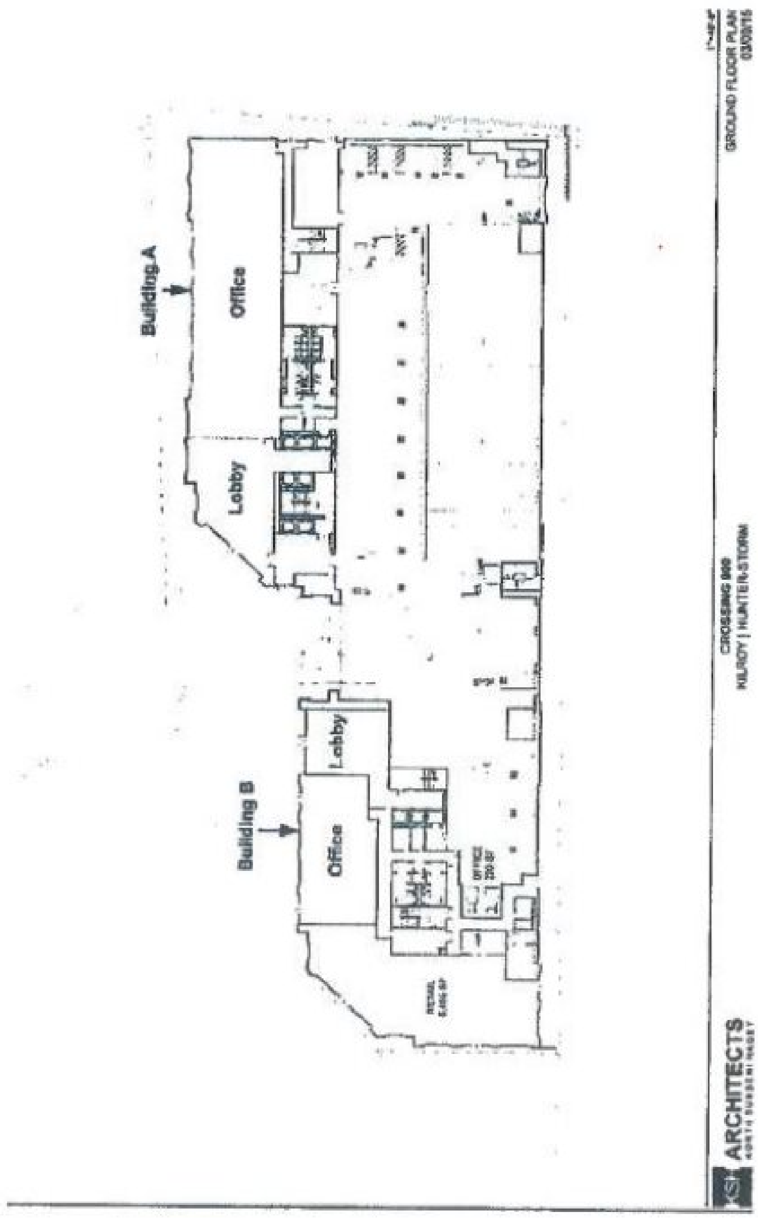
By: /s/Evan Wittenberg
Name: Evan Wittenberg
Its: SVP, People

EXHIBIT A-1

CROSSING/900

OUTLINE OF PREMISES

Ground Floor



SECOND AMENDMENT TO OFFICE LEASE

This SECOND AMENDMENT TO OFFICE LEASE (the "**Second Amendment**") dated as of October 22, 2015, is entered into by and between REDWOOD CITY PARTNERS, LLC, a Delaware limited liability company (collectively, "**Landlord**"), and BOX, INC., a Delaware corporation ("**Tenant**"), with reference to the facts set forth in the Recitals below.

R E C I T A L S:

A. Landlord and Tenant are parties to that certain Office Lease dated as of September 15, 2014 (the "**Original Lease**"), as amended by that certain First Amendment to Office Lease dated as of March 17, 2015 (the "**First Amendment**") (the Original Lease and First Amendment are, collectively, the "**Lease**") for premises (the "**Premises**") in the buildings to be constructed at 900 Jefferson Avenue and 900 Middlefield Avenue, Redwood City, California.

B. In connection with the foregoing, Landlord and Tenant desire to amend the Lease as hereinafter provided.

A G R E E M E N T :

NOW THEREFORE, in consideration of the above Recitals and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. **Capitalized Terms**. All capitalized terms when used herein shall have the same meaning as is given such terms in the Lease unless expressly superseded by the terms of this Second Amendment.

2. **Lease Commencement Dates; Lease Expiration Date**. Notwithstanding any contrary provision of the Lease, Sections 3.2.1. 3.2.2. and 3.3 or the Original Lease are hereby amended and restated in their entirety as follows:

3.2.1	Building A Lease Commencement Date:	The "**Building A Lease Commencement Date**" shall be September 25, 2015.
3.2.2	Building B Lease Commencement Date:	The "**Building B Lease Commencement Date**" shall be January 1, 2017.
3.3	Lease Expiration Date:	June 30, 2028; subject to extension of the Lease Expiration Date by Tenant's exercise of one or both of the extension options granted under Section 2.2 of this Lease below.

3. **Final Condition**. Landlord and Tenant acknowledge and agree that Landlord satisfied the "Final Condition" (as defined in Section 1.3 of the Work Letter attached to the Lease as **Exhibit B**) with respect to Building A and Building B as required by the terms of the Lease, on September 25, 2015. Notwithstanding the foregoing, following the date of this Second Amendment, Landlord shall perform certain electrical work required in connection with the installation of one (1) additional electric vehicle charging station in the Project parking facilities.

4. **Disbursement of Improvement Allowance**. Pursuant to the terms of the Lease, in connection with each monthly disbursement of the Improvement Allowance, Tenant is obligated to pay a percentage (a "**Percentage**") of each amount disbursed by Landlord, which Percentage is equal to the amount of the Over-Allowance Amount (as defined in the Original Lease) divided by the amount of the Final Costs (as defined in the Original Lease), as the same may be adjusted as set forth therein, and such payments by Tenant (the "**Over-Allowance Payments**") are a condition to Landlord's obligation to pay any amounts from the Improvement Allowance (the "**Improvement Allowance Payments**"). Notwithstanding the foregoing or any provision to the contrary set forth in the Lease, Landlord may elect, at its sole option, from time to time, to adjust the Percentage in order to increase the amount(s) of the Improvement Allowance Payments as part of each monthly disbursement (and thereby reduce the amount(s) of the Over-Allowance Payments made by Tenant in connection therewith), provided, that Landlord shall not be required to make any payments in excess of the Improvement Allowance, and any such adjustment in the Percentage shall be reconciled in later disbursements of the Improvement Allowance Payments and the Over-Allowance Payments.

5. **No Other Modifications**. Except as modified in this Second Amendment. all other terms and conditions of the Lease shall remain unchanged and in full force and effect. To the extent of a conflict between the terms of the Lease and the terms of this Second Amendment, the terms of this Second Amendment shall prevail.

6. **Prohibited Persons; Foreign Corrupt Practices Act and Anti-Money Laundering**. Neither Tenant nor any of its affiliates, nor any of their respective members, partners or other equity holders, and none of their respective officers, directors or managers is, nor prior to or during the Lease Term, will they become a person or entity with whom U.S. persons or entities are restricted from doing business under (a) the Patriot Act (as defined below). (b) any other requirements contained in the rules and regulations of the Office of Foreign Assets Control, Department of the Treasury ("**OFAC**") (including any "blocked" person or entity listed in the Annex to Executive Order Nos. 12947, 13099 and 13224 and any modifications thereto or thereof or any other person or entity named on OFAC's Specially Designated Blocked Persons List) or (c) any other U.S. statute, Executive Order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism) or other governmental action (collectively, "**Prohibited Persons**"). Prior to and during the Lease Term, Tenant, and to Tenant's knowledge, its employees and any person acting on its behalf have at all times fully complied with, and are currently in full compliance with, the Foreign Corrupt Practices Act of 1977 and any other applicable anti-bribery or anti-corruption laws. Tenant is not entering into this Lease, directly or indirectly, in violation of any laws relating to drug trafficking, money laundering or predicate crimes to money laundering, Neither Landlord nor any of its affiliates, nor any of their respective members, partners or other equity holders, and none of their respective officers, directors or managers is, nor prior to or during the Lease Term, will they become Prohibited Persons. Prior to and during the Lease Term, Landlord, and to Landlord's knowledge, its employees and any person acting on its behalf have at all times fully complied with, and are currently in full compliance with, the Foreign Corrupt Practices Act of 1977 and any other applicable anti-bribery or anti-corruption laws. Landlord is not entering into this Lease, directly or indirectly, in violation of any laws relating to drug trafficking, money laundering or predicate crimes to money laundering. Notwithstanding anything contained herein to the contrary, for the purposes of this Section 6 the phrase "Landlord nor any of its affiliates, nor any of their respective members, partners or other equity holders" and all similar such phrases shall not include (i) any holder of a direct or indirect interest in a publicly traded company whose shares are listed and traded on a United States national stock exchange or (ii) any limited partner, unit holder or shareholder owning an interest of five percent (5%) or less in Kilroy Realty, L.P. or Kilroy Realty Corporation. As used herein, "**Patriot Act**" shall mean the USA Patriot Act of 2001, 107 Public Law 56 (October 26, 2001) and all other statutes, orders, rules and regulations of the U.S. government and its various executive departments, agencies and offices interpreting and implementing the Patriot Act.

7. **Counterpart Execution**. This Second Amendment may be executed in multiple counterparts, each of which shall be deemed to be an original, but all of which, together, shall constitute one and the same instrument.

[signatures follow on next page]

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment as of the date set forth above.

"LANDLORD":

REDWOOD CITY PARTNERS, LLC
a Delaware limited liability company

By: KR Redwood City Member, LLC,
a Delaware limited liability company

Its: Managing Member

By: Kilroy Realty, L.P.,
a Delaware limited partnership

Its: Sole Member

By: Kilroy Realty Corporation
a Maryland corporation

Its: General Partner

By: /s/John T. Fucci
Name: John T. Fucci
Its: SR. Vice President
Asset Management

By: /s/Richard Buziak
Name: Richard Buziak
Its: Senior Vice President
Asset Management

"TENANT":

BOX, INC.,
a Delaware corporation

By: /s/Peter McGoff
Name: Peter McGoff
Its: SVP, General Counsel and Corp. Secretary

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

Exhibit 10.6

<u>THIRD AMENDMENT TO OFFICE LEASE</u>

This THIRD AMENDMENT TO OFFICE LEASE (‘‘**Third Amendment**”) is made and entered into as September 21, 2017 (the “**Effective Date**”), by and between REDWOOD CITY PARTNERS, LLC, a Delaware limited company (“**Landlord**”), and BOX, INC., a Delaware corporation (“**Tenant**”).

<u>R E C I T A L S</u> :

A. Landlord and Tenant entered into that certain Office Lease dated September 15, 2014 (the “**Office Lease**”), whereby Landlord leases to Tenant and Tenant leases from Landlord those certain premises (the “**Premises**”) consisting of a total of 334,212 rentable square feet of space, to be located within those certain office buildings (the “**Buildings**”) located 900 Jefferson Avenue, Redwood City, California and 900 Middlefield Avenue, Redwood City, California. The Office Lease, as amended by the First Amendment to Office Lease dated March 17, 2015, and the Second Amendment to Office Lease dated October 22, 2015, is referred to herein as the “**Lease**”.

B. Landlord has made additional improvements to the Buildings, in exchange for which Tenant will be paying additional rent as provided in this Third Amendment.

C. Landlord and Tenant desire to document the additional rent Tenant is to pay for the additional improvements to the Buildings and otherwise amend the Lease as provided herein

<u>A G R E E M E N T</u> :

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, as of the Effective Date, Landlord and Tenant hereby agree as follows:

1. **<u>Capitalized Terms</u>**. All capitalized terms when used herein shall have the same meaning as is given such terms in the Lease unless expressly superseded by the terms of this Third Amendment.

2. **<u>Additional Rent</u>**. In consideration of Landlord’s additional improvement expenditures, Tenant will pay to Landlord, as Additional Rent due under the Lease, the sum of $353,876.86, payable within two (2) business days after the Effective Date of this Third Amendment. Notwithstanding any contrary provision in the Lease, such payment of Additional Rent shall be deemed to be timely and no interest or late charges are due with respect thereto. Furthermore, the Additional Rent satisfies in full, and forever discharges, any claims by Landlord relating to compensation for additional improvement expenditures made by Landlord prior to the Effective Date of this Third Amendment.

3. **<u>Further Modifications Under Negotiation</u>**. Landlord and Tenant acknowledge that they previously exchanged drafts of a so-called “Third Amendment to Office Lease” that addressed not only payment of the Additional Rent called for under <u>Section 2</u> above, but also a number of other issues currently under negotiation between the parties, the resolution of which will require further modification of the Lease (“**Other Open Issues**”). These Other Open Issues include, by way of illustration and not limitation, the Base Rent schedule for Building B, Landlord’s characterization of certain of the Tenant Improvements as Specialty Improvements under <u>Section 8.5</u> of the Office Lease, and the proper segregation of costs and expenses relating to public use of the Project parking facility. Landlord and Tenant agree that nothing in this Third Amendment shall be construed to govern or otherwise affect the parties’ future resolution of the Other Open Issues.

4. **<u>Certified Access Specialist</u>**. For purposes of Section 1938 of the California Civil Code, Landlord hereby discloses to Tenant, and Tenant hereby acknowledges, that the Premises has not undergone inspection by a Certified Access Specialist (CASp). As required by Section 1938(e) of the California Civil Code, Landlord hereby states as follows: “A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises.” In furtherance of the foregoing, Landlord and Tenant hereby agree as follows: (a) any CASp inspection requested by Tenant shall be conducted, at Tenant’s sole cost and expense, by a CASp designated by Landlord, subject to Landlord’s reasonable rules and requirements; (b) Tenant, at its sole cost and expense, shall be responsible for making any improvements or repairs within the Premises to correct violations of construction-related accessibility standards; and (c) if anything done by or for Tenant in its use or occupancy of the Premises shall require any improvements or repairs to the Building or Project (outside the Premises) to correct violations of construction-related accessibility standards, then Tenant shall reimburse Landlord upon demand, as Additional Rent, for the cost to Landlord of performing such improvements or repairs. The foregoing is not intended to modify the parties’ respective obligations under <u>Article 24</u> of the Office Lease.

5. **<u>Broker</u>**. Landlord and Tenant hereby warrant to each other that they have had no dealings with any real estate broker or agent in connection with the negotiation of this Third Amendment (the “**Broker**”), and that they know of no other real estate broker or agent who is entitled to a commission in connection with this Third Amendment. Each party agrees to indemnify and defend the other party against and hold the other party harmless from and against any and all claims, demands, losses, liabilities, lawsuits, judgments, and costs and expenses (including, without limitation, reasonable attorneys’ fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of the indemnifying party’s dealings with any real estate broker or agent, other than the Broker. The terms of this <u>Section 5</u> shall survive the expiration or earlier termination of the term of the Lease, as hereby amended.

6. **<u>Prohibited Persons; Foreign Corrupt Practices Act and Anti-Money Laundering</u>**. Neither Tenant nor any of its affiliates, nor any of their respective members, partners or other equity holders, and none of their respective officers, directors or managers is, nor prior to or during the Lease Term, will they become a person or entity with whom U.S. persons or entities are restricted from doing business under (a) the Patriot Act (as defined below), (b) any other requirements contained in the rules and regulations of the Office of Foreign Assets Control, Department of the Treasury (“**OFAC**”) (including any “blocked” person or entity listed in the Annex to Executive Order Nos. 12947, 13099 and 13224 and any modifications thereto or thereof or any other person or entity named

on OFAC's Specially Designated Blocked Persons List) or (c) any other U.S. statute, Executive Order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism) or other governmental action (collectively, "**Prohibited Persons**"). Prior to and during the Lease Term, Tenant, and to Tenant's knowledge, its employees and any person acting on its behalf have at all times fully complied with, and are currently in full compliance with, the Foreign Corrupt Practices Act of 1977 and any other applicable anti-bribery or anti-corruption laws. Tenant is not entering into this Third Amendment, directly or indirectly, in violation of any laws relating to drug trafficking, money laundering or predicate crimes to money laundering. As used herein, "**Patriot Act**" shall mean the USA Patriot Act of 2001, 107 Public Law 56 (October 26, 2001) and all other statutes, orders, rules and regulations of the U.S. government and its various executive departments, agencies and offices interpreting and implementing the Patriot Act.

7. **Conflict; No Further Modification**. In the event of any conflict between the terms and provisions of the Lease and the terms and provisions of this Third Amendment, the terms and provisions of this Third Amendment shall prevail. Except as specifically set forth in this Third Amendment, all of the terms and provisions of the Lease shall remain unmodified and in full force and effect.

8. **Signatures**. The parties hereto consent and agree that this Third Amendment may be signed and/or transmitted by facsimile, e-mail of a .pdf document or using electronic signature technology (e.g., via DocuSign or similar electronic signature technology), and that such signed electronic record shall be valid and as effective to bind the party so signing as a paper copy bearing such party's handwritten signature. The parties further consent and agree that (1) to the extent a party signs this Third Amendment using electronic signature technology, by clicking "SIGN", such party is signing this Third Amendment electronically, and (2) the electronic signatures appearing on this Third Amendment shall be treated, for purposes of validity, enforceability and admissibility, the same as handwritten signatures.

[signatures follow on next page]

IN WITNESS WHEREOF, Landlord and Tenant have caused this Third Amendment to be executed on the date or dates set forth below, and such date, or the later date if there is more than one, shall be inserted at the beginning of this Third Amendment as the Effective Date.

"LANDLORD":

REDWOOD CITY PARTNERS, LLC
a Delaware limited liability company

By: KR Redwood City Member, LLC,
a Delaware limited liability company,
Its: Managing Member

By: Kilroy Realty, L.P.,
a Delaware limited partnership
Its: Sole Member

By: Kilroy Realty Corporation
a Maryland corporation
Its: General Partner

By: /s/ Jeffrey C. Hawken
Name: Jeffrey C. Hawken
Its: COO

By: /s/Richard Buziak
Name: Richard Buziak
Its: Senior Vice President Asset Management

Date: ______________

"TENANT":

BOX, INC.,
a Delaware corporation
By: /s/Peter McGoff
Name: Peter McGoff
Its: General Counsel, Corporate Secretary

By: /s/Dylan Smith
Name: Dylan Smith
Its: CFO
Date: September 20, 2017

Exhibit 10.7

FOURTH AMENDMENT TO OFFICE LEASE

This FOURTH AMENDMENT TO OFFICE LEASE **("Fourth Amendment")** is made and entered into as of 11/6, 2018 (the **"Effective Date"),** by and between REDWOOD CITY PARTNERS, LLC, a Delaware limited company **("Landlord"),** and BOX, INC., a Delaware corporation **("Tenant").**

R E C I T A L S :

A. Landlord and Tenant entered into that certain Office Lease dated September 15, 2014 (the **"Office Lease"),** whereby Landlord leases to Tenant and Tenant leases from Landlord those certain premises (the **"Premises")** consisting of a total of 334,212 rentable square feet of space, to be located within those certain office buildings (the **"Buildings")** located 900 Jefferson Avenue, Redwood City, California and 900 Middlefield Avenue, Redwood City, California. The Office Lease, as amended by the First Amendment to Office Lease dated March 17, 2015, the Second Amendment to Office Lease dated October 22, 2015, and the Third Amendment to Office Lease dated September 21, 2017, is referred to herein as the **"Lease".**

B. Tenant has agreed, subject to the terms of this Fourth Amendment, to reduce the number of parking spaces used by Tenant in the Project parking facilities by ten (10) spaces (the **"Released Spaces")** to allow Landlord to grant another Tenant in the Project the right to use such Released Spaces.

C. Landlord and Tenant desire to document the Released Spaces and otherwise amend the Lease as provided herein

A G R E E M E N T :

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, as of the Effective Date, Landlord and Tenant hereby agree as follows:

1. **Capitalized Terms.** All capitalized terms when used herein shall have the same meaning as is given such terms in the Lease unless expressly superseded by the terms of this Fourth Amendment.

2. **Released Spaces.** Effective as of the date hereof, the number of Parking Passes that Tenant is entitled to use under the Lease is reduced by the number of the Released Spaces (i.e., by ten (10) passes). Tenant acknowledges that Landlord intends to grant another tenant of the Building the right to use the Released Spaces. Notwithstanding the foregoing, if at any time after the date hereof, Tenant reasonably determines that it requires the use of all or any of the Released Spaces, Tenant shall have the right to reclaim all or any of such Released Spaces by giving not less than sixty (60) days prior written notice thereof to Landlord.

3. **Conflict; No Further Modification.** In the event of any conflict between the terms and provisions of the Lease and the terms and provisions of this Fourth Amendment, the terms and provisions of this Fourth Amendment shall prevail. Except as specifically set forth in this Fourth Amendment, all of the terms and provisions of the Lease shall remain unmodified and in full force and effect.

4. **Signatures.** The parties hereto consent and agree that this Fourth Amendment may be signed and/or transmitted by facsimile, e-mail of a .pdf document or using electronic signature technology (e.g., via DocuSign or similar electronic signature technology), and that such signed electronic record shall be valid and as effective to bind the party so signing as a paper copy bearing such party's handwritten signature. The parties further consent and agree that (1) to the extent a party signs this Fourth Amendment using electronic signature technology, by clicking "SIGN", such party is signing this Fourth Amendment electronically, and (2) the electronic signatures appearing on this Fourth Amendment shall be treated, for purposes of validity, enforceability and admissibility, the same as handwritten signatures.

[*Signatures appear on next page.*]

IN WITNESS WHEREOF, Landlord and Tenant have caused this Fourth Amendment to be executed on the date or dates set forth below, and such date, or the later date if there is more than one, shall be inserted at the beginning of this Fourth Amendment as the Effective Date.

"LANDLORD":

REDWOOD CITY PARTNERS, LLC
a Delaware limited liability company

By: KR Redwood City Member, LLC,
a Delaware limited liability company,
Its: Managing Member

By: Kilroy Realty, L.P.,
a Delaware limited partnership
Its: Sole Member

By: Kilroy Realty Corporation
a Maryland corporation
Its: General Partner

By: /s/Jeffrey C. Hawken
Name: Jeffrey C. Hawken
Its: COO

By: /s/John Fucci
Name: John Fucci
Its: EVP - Asset Management

Date: 11/9/2018

"TENANT":

BOX, INC.,
a Delaware corporation

By: /s/David Leeb
Name: David Leeb
Its: General Counsel

By: __________
Name: __________
Its: __________

Date: __________

Exhibit 10.8

FIFTH AMENDMENT TO OFFICE LEASE

This FIFTH AMENDMENT TO OFFICE LEASE ("**Fifth Amendment**") is made and entered into as April 30, 2019 (the "**Effective Date**"), by and between REDWOOD CITY PARTNERS, LLC, a Delaware limited liability company ("**Landlord**"), and BOX, INC., a Delaware corporation ("**Tenant**").

R E C I T A L S :

A. Landlord and Tenant entered into that certain Office Lease dated September 15, 2014 (the "**Office Lease**"), whereby Landlord leases to Tenant and Tenant leases from Landlord those certain premises (the "**Premises**") consisting of a total of 334,212 rentable square feet of space, to be located within those certain office buildings (the "**Buildings**") located 900 Jefferson Avenue, Redwood City, California and 900 Middlefield Avenue, Redwood City, California. The Office Lease, as amended by the First Amendment to Office Lease dated March 17, 2015, the Second Amendment to Office Lease dated October 22, 2015, the Third Amendment to Office Lease dated September 21, 2017 and the Fourth Amendment to Office Lease dated November 6, 2018, is referred to herein as the "**Lease**".

B. Landlord has designated certain of the Tenant Improvements constructed by Tenant in the Premises as "Specialty Improvements" as defined in Section 8.5 of the Office Lease. Landlord and Tenant desire to further memorialize their understanding regarding the Specialty Improvements.

C. Landlord and Tenant also desire to further memorialize their understanding regarding staffing levels and other costs associated with Landlord's management and operation of the Project.

D. Landlord and Tenant desire to amend the Lease as provided herein.

A G R E E M E N T :

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, as of the Effective Date, Landlord and Tenant hereby agree as follows:

1. **Capitalized Terms**. All capitalized terms when used herein shall have the same meaning as is given such terms in the Lease unless expressly superseded by the terms of this Fifth Amendment.

2. **Specialty Improvements**. The items listed on **Schedule 1** attached hereto have been designated as "Specialty Improvements", in accordance with the terms of Section 8.5 of the Office Lease. Under Section 8.5 of the Office Lease, Landlord may require Tenant to remove certain of the Specialty Improvements at the expiration or earlier termination of the Lease, and to repair any damage to the Premises and Buildings caused by such removal and return the affected portion of the Premises to substantially similar condition to that existing before the installation of such Specialty Improvements. As of the Effective Date, no other Alterations or Improvements have been designated as (or otherwise constitute) Specialty Improvements, and **Schedule 1** attached hereto also lists Specialty Improvements as to which Landlord hereby expressly waives (or previously has waived) Tenant's removal and restoration requirement, also in accordance with Section 8.5 of the Office Lease. Even as to those Specialty Improvements Landlord may require Tenant to remove at the expiration or earlier termination of the Lease, Landlord may, in its discretion, elect to waive such removal and restoration requirement in the future upon written notice to Tenant (whether in response to a request by Tenant for such waiver or by Landlord's unilateral action).

3. **Building Engineer; HVAC**.

3.1 **Building Engineer**. Landlord currently retains two (2) engineers to service the Building Systems (each, a "**Building Engineer**") on a full-time basis. As of the Effective Date, Landlord shall reduce the number of full-time Building Engineers to one (1). The foregoing shall not prohibit Landlord from retaining an additional Building Engineer (i) from time-to-time on an as-needed basis for extraordinary repairs or services or (ii) on a full-time basis, if Landlord reasonably determines that such additional Building Engineer is required (a) for the proper functioning and care of the Building Systems, or (b) to minimize costs associated with repair and maintenance of the Building Systems.

3.2 **Afterhours HVAC Rates**. The rates payable by Tenant for use of HVAC during periods outside of "Building Hours", shall be equal to $10.20 per hour for Building A, and $4.83 per hour for Building B. Such rates are subject to change during the Lease Term as provided in the Lease. Tenant acknowledges that these rates only reflect depreciation of HVAC equipment over an agreed upon useful life, and not any utilities, maintenance, or repair costs, which are reimbursed by Tenant through Operating Expenses. In the event that Tenant is no longer satisfying the Office Space Leasing Requirement, the foregoing after-hour rates will be adjusted to encompass all costs for operating the HVAC system after Building Hours, including without limitation costs for electricity, water, repair and maintenance, depreciation, and administration cost. In addition, for so long as Tenant is satisfying the Office Space Leasing Requirement, (i) in lieu of the Building Hours specified in Section 6.1.1 of the Office Lease, Tenant shall have the right to designate the hours of operation of the HVAC system serving the Premises, which may be twenty-four (24) hours per day on each day of the year and Tenant shall not be required to provide Landlord with prior written notice of such hours of operation; provided that Tenant shall continue to be obligated to pay the hourly rate for after Building Hours usage as set forth in this Section 3 above.

4. **Garage Share**. To account for the shared use of the Project parking facility by Tenant and the general public, Landlord and Tenant agree that Landlord shall establish a Cost Pool (as defined in Section 4.3 of the Office Lease) for Operating Expenses attributable to the Project parking facility (the "**Parking Cost Pool**"), and Landlord shall allocate 36.62% of the costs ("**Tenant's Parking Cost Pool Allocation**") in such Parking Cost Pool to Tenant's Share of Direct Expenses, provided that the parties agree such Tenant's Parking Cost Pool Allocation is subject to modification based on (a) the actual hours of operation of the Project parking facility, in no event less than the hours required by the Parking Covenant, or (b) as otherwise required by the Parking Covenant. The Parking Cost Pool shall consist of: (i) costs for ordinary bookkeeping associated with the operation of the parking garage, (ii) premiums for garage keepers' liability insurance, (iii) costs of repair, maintenance, and replacement of parking equipment, but shall exclude any such costs that are reasonably attributable exclusively to use of the Project parking facility by the general public (i.e., costs to repair damage to property caused by the general public), and (iv) an allocated share of ten percent (10%) of costs of property management wages (as opposed to parking management), salaries and other compensation and benefits, including taxes levied thereon. However, and notwithstanding the foregoing, the Parking Cost Pool shall exclude any costs that are reasonably attributable primarily or exclusively to use of the Project parking facility by the general public including, without limitation: (w) parking attendant and parking security payroll, salaries and compensation (including, without limitation, the Parking Security Guard, as defined in Section 6 below); and (x) parking ticketing costs (including for equipment to issue, validate, accept payment for or read parking tickets). If the hours that the Project parking facility is available for use by the general public are changed from the hours shown in **Schedule 2** attached hereto, Tenant's Parking Cost Pool Allocation shall be equitably adjusted based on the revised public use.

5. **Parking**.

5.1 **Visitor, Retail, and Property Management Parking and Storage**. Section 28.1 of the Office Lease is hereby amended to provide that there are (i) thirty-one (31) parking spaces designated as "visitor reserved" for use by visitors to the Project (not twenty-five (25) as stated in Section 28.1 of the Office Lease), two (2) of which are specifically designated for use by Landlord's property management personnel, and sixteen (16) of which are designated for use by Tenant (for the Box Executive Innovation Center and for expectant mother parking) and (ii) thirteen (13) parking spaces designated as "reserved" for employees of the Retail Space (which includes the ten (10) granted per the Fourth Amendment). Additionally, eleven (11) of Tenant's parking spaces have been converted to storage, to be restored by Tenant as provided in **Schedule 1** to this Fifth Amendment. In connection with the foregoing, **Exhibit I** attached to the Office Lease is hereby deleted and replaced with **Exhibit I** attached to this Fifth Amendment. The foregoing shall not affect Tenant's rights under the Fourth Amendment to reclaim the Released Spaces by giving not less than sixty (60) days prior written notice thereof to Landlord.

5.2 **Tenant's Control of Parking Permits**. So long as Tenant continues to satisfy the Office Space Leasing Requirement, then Tenant shall have the right to control the issuance of parking passes to Tenant's employees and visitors to the Premises, and shall have the right to designate certain parking spaces within the Project parking facilities as reserved for use by Tenant, and its visitors (in exact locations reasonably determined by Tenant, and without interference with the "visitor reserved" and "reserved" parking described in Section 5.1 above and Section 28.1 of the Office Lease); provided, that such parking passes and reserved designations shall only be effective during the hours of 8:00 a.m. through 5:00 p.m. on Monday through Friday, excluding Holidays ("**Tenant's Parking Hours**"). During Tenant's Parking Hours, if Tenant desires to operate a valet parking program at its sole cost, then such program shall be on terms and with a valet parking operator mutually satisfactory to Landlord and Tenant (with Tenant having the right to select, and Landlord the right to reasonably approve such operator). Any parking operator or vendor retained by Tenant to provide valet services shall comply with the terms of Section 10.6 of the Office Lease. Landlord shall have no obligation to enforce any rules or regulations relating to reserved parking or the issuance of parking passes during Tenant's Parking Hours, and Tenant shall be solely responsible for handling customer complaints relating thereto. The foregoing rights in this Section 5.2 shall only apply so long as Tenant continues to satisfy the Office Space Leasing Requirement, and shall be personal to the Original Tenant and its Permitted Transferee Assignee. Outside of Tenant's Parking Hours, and at any time that Tenant's foregoing rights terminate pursuant to the terms hereof, Landlord (or Landlord's designated parking operator), shall be solely responsible for the issuance of all parking passes and reserved designations within the Project parking facility and for handling customer complaints relating thereto. Tenant shall be solely responsible for all costs relating to the exercise of Tenant's rights under this Section 5.2 but in such case Tenant's Parking Cost Pool Allocation (including the items included in the Parking Cost Pool) shall be equitably adjusted to fully account for reductions in Operating Expenses resulting from Tenant's assumption of control during Tenant's Parking Hours.

5.3 **Notice of Changes to Public Parking Hours**. Landlord shall use commercially reasonable efforts to notify Tenant of any change to the hours that the general public is permitted to utilize the Project parking facilities, which notice may include modifying any signage at the Project that includes the hours.

6. **Project Security**. In accordance with Section 28.1 of the Office Lease, so long as the public is entitled to use of the Project parking facility pursuant to the requirements of the Parking Covenant, Landlord is required to provide at least one (1) roving security guard in the Project parking facilities ("**Parking Security Guard**") on Mondays through Fridays, excluding Holidays, from 5:00 p.m. through at least one (1) hour after the parking facilities are closed to the public. At any time that the Parking Security Guard is on duty, but is not roving in the Project parking facilities, the Parking Security Guard shall be stationed at a parking booth, kiosk, station or another readily visible location within the Project parking facilities, as reasonable selected by Landlord and reasonably approved by Tenant. All costs of constructing, operating, maintaining, repairing and replacing any parking booth, kiosk or other station or location for the Parking Security Guard shall be borne by Landlord and excluded from Operating Expenses. Furthermore, for so long as the Parking Covenant remains in effect, Landlord, if reasonably determined necessary by Landlord, may provide one (1) Parking Security Guard on weekends and Holidays

beginning when the parking facilities are open to the public and ending one (1) hour after the parking facilities are closed to the public. All costs and expenses associated with the Parking Security Guard shall be excluded from the Parking Cost Pool.

7. **Utility Costs**. Pursuant to Section 6.1.2 of the Office Lease, Tenant has the right to contract for and pay directly to the utility company pursuant to meters, or pay directly to Landlord pursuant to submeters, the cost of all electricity, gas, water and sewer services provided to and/or consumed in the Premises (including normal and excess consumption and including the cost of electricity to operate the HVAC air handlers). The parties acknowledge and agree that if Tenant is making direct utility cost payments to Landlord pursuant to submeters, that such payments shall not include any administrative fee to Landlord, and the gross revenues for purposes of calculating the management fee for the Project shall not include utilities.

8. **Management Office and Personnel**. In Section 4.2.4(f) of the Office Lease, the provision at the end of that section is revised to read as follows: "provided, that in no event shall Operating Expenses for purposes of this Lease include (i) more than the wages and/or benefits of one (1) senior property manager or property manager, one (1) assistant property manager or property coordinator and two (2) building engineers, or (ii) more than eighteen percent (18%) of the wages and/or benefits of one (1) Senior Asset Manager or Asset Manager." Landlord's Management Office personnel and their vendors in Building B currently utilize Tenant's restroom facilities rather than restrooms of other Project tenants. Landlord acknowledges and agrees that this is an accommodation by Tenant and that Tenant may revoke such use of its restroom facilities at any time upon reasonable prior notice to Landlord if there is a good faith reason to do so.

9. **Management Fee**. For purposes of calculating the Management Fee Percentage, the gross revenues from the Project shall exclude amounts other than Base Rent and Additional Rent due under this Lease (but shall include any Transfer Premium), and base rent and additional rent payable by other tenants under leases in the Project, and also shall exclude any administrative or management fees included as part of Additional Rent under this Lease or additional rent under other Project leases.

10. **Broker**. Landlord and Tenant hereby warrant to each other that they have had no dealings with any real estate broker or agent in connection with the negotiation of this Fifth Amendment (the "**Broker**"), and that they know of no other real estate broker or agent who is entitled to a commission in connection with this Fifth Amendment. Each party agrees to indemnify and defend the other party against and hold the other party harmless from and against any and all claims, demands, losses, liabilities, lawsuits, judgments, and costs and expenses (including, without limitation, reasonable attorneys' fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of the indemnifying party's dealings with any real estate broker or agent, other than the Broker. The terms of this Section 8 shall survive the expiration or earlier termination of the term of the Lease, as hereby amended.

11. **Prohibited Persons; Foreign Corrupt Practices Act and Anti-Money Laundering**. Neither Tenant nor any of its affiliates, nor any of their respective members, partners or other equity holders, and none of their respective officers, directors or managers is, nor prior to or during the Lease Term, will they become a person or entity with whom U.S. persons or entities are restricted from doing business under (a) the Patriot Act (as defined below), (b) any other requirements contained in the rules and regulations of the Office of Foreign Assets Control, Department of the Treasury ("**OFAC**") (including any "blocked" person or entity listed in the Annex to Executive Order Nos. 12947, 13099 and 13224 and any modifications thereto or thereof or any other person or entity named on OFAC's Specially Designated Blocked Persons List) or (c) any other U.S. statute, Executive Order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism) or other governmental action (collectively, "**Prohibited Persons**"). Prior to and during the Lease Term, Tenant, and to Tenant's knowledge, its employees and any person acting on its behalf have at all times fully complied with, and are currently in full compliance with, the Foreign Corrupt Practices Act of 1977 and any other applicable anti-bribery or anti-corruption laws. Tenant is not entering into this Fifth Amendment, directly or indirectly, in violation of any laws relating to drug trafficking, money laundering or predicate crimes to money laundering. As used herein, "**Patriot Act**" shall mean the USA Patriot Act of 2001, 107 Public Law 56 (October 26, 2001) and all other statutes, orders, rules and regulations of the U.S. government and its various executive departments, agencies and offices interpreting and implementing the Patriot Act.

12. **Conflict; No Further Modification**. In the event of any conflict between the terms and provisions of the Lease and the terms and provisions of this Fifth Amendment, the terms and provisions of this Fifth Amendment shall prevail. Except as specifically set forth in this Fifth Amendment, all of the terms and provisions of the Lease shall remain unmodified and in full force and effect.

13. **Signatures**. The parties hereto consent and agree that this Fifth Amendment may be signed and/or transmitted by facsimile, e-mail of a .pdf document or using electronic signature technology (e.g., via DocuSign or similar electronic signature technology), and that such signed electronic record shall be valid and as effective to bind the party so signing as a paper copy bearing such party's handwritten signature. The parties further consent and agree that (1) to the extent a party signs this Fifth Amendment using electronic signature technology, by clicking "SIGN", such party is signing this Fifth Amendment electronically, and (2) the electronic signatures appearing on this Fifth Amendment shall be treated, for purposes of validity, enforceability and admissibility, the same as handwritten signatures.

[signatures follow on next page]

IN WITNESS WHEREOF, Landlord and Tenant have caused this Fifth Amendment to be executed the day and date first above written.

"LANDLORD":

REDWOOD CITY PARTNERS, LLC
a Delaware limited liability company

By: KR Redwood City Member, LLC,
a Delaware limited liability company,
Its: Managing Member

By: Kilroy Realty, L.P.,
a Delaware limited partnership
Its: Sole Member

By: Kilroy Realty Corporation
a Maryland corporation
Its: General Partner

By: /s/Jeff Hawken
Name: Jeff Hawken
Its: COO

By: /s/Rick Buziak
Name: Rick Buziak
Its: SVP Asset Management

"TENANT":

BOX, INC.,
a Delaware corporation

By: /s/David Leeb
Name: David Leeb
Its: General Counsel

SCHEDULE 1

SPECIALTY IMPROVEMENTS

Specialty Improvements Tenant may be required to remove should Landlord request removal in accordance with Section 8.5 of the Office Lease and Section 2 of this Fifth Amendment:

1. The café installed on the second floor of Building A, and all related trade fixtures, equipment, systems, personal property, and other infrastructure, including, without limitation, any roof exhaust systems, grease processing systems, plumbing and gas lines.
2. All Lines (as defined in Section 29.32 of the Office Lease).
3. All non-code required Tenant-related signage, interior and exterior, including the large "Box" sign in the Building A lobby.
4. All revolving doors on all floors of all Buildings.
5. All garage storage areas installed by Tenant, including all parking spaces that were converted to storage areas.
6. The "Terrace" area as defined in Section 1.5 of the Office Lease shall be restored to the initial design thereof, to be accomplished by replacing the one planter that was moved to allow for an exit route to Building B.
7. All supplemental HVAC units, including all associated equipment, shafts, and ductwork.
8. All computer server equipment.
9. All openings, including, but not limited to, all exhaust shaft, cores, and roof penetrations, in the concrete slabs, as indicated in Bulletin 30 R1, and related coordination.
10. All access card readers in spaces or areas that would be considered leasable area in a multi- tenant building, as reasonably designated by Landlord.

Specialty Improvements for which Landlord expressly waives Tenant's removal requirements set forth in Section 8.5 of the Office Lease:

1. All fencing and gating at all public stairways on level P3.
2. Stairwell gate paid for by the Landlord in order to meet code compliance obligations.
3. All electric vehicle charging stations and electrical cabling and associated connections related to the same.
4. All ground floor and Base Building access card readers and related wiring in Common Areas or in areas that would reasonably become common areas in a multi-tenant building, as determined by Landlord, provided that Tenant shall cooperate with Landlord to reprogram certain access card readers to permit re-use the readers for new tenants and occupants of the Project.

SCHEDULE 2
PROJECT PARKING FACILITIES HOURS OF OPERATION

	Hours	**Daily**	**Weekly**	**Annual**	**Hours**	**Daily**	**Weekly**	**Annual**	**Total**
Monday - Friday	5pm-1am	8	40	2080	8am-5pm	9	45	2340	
Saturday & Sunday	10am-2am	16	32	1664	N/A	0	0	0	
Holidays (7 per year)	10am-2am	16	N/A	112	Less 7 Holidays	-16	N/A	-112	
Subtotal Annual Operating Hours				**3856**				**2228**	**6084**
Pro-rated Annual Hours				63.38%				36.62%	100.00%
Non-operating Hrs. - Nights								2028	
Allocation of Night Hours				1696				980	2676
Total Hours:				5552				3208	8760
Final Garage Pro-rata Share:			**Public:**	**63.38%**			**Box:**	**36.62%**	**100%**

EXHIBIT I

CROSSING/900

VISITOR PARKING AREA

NOTE: RETAIL A = 10 SPOTS, PARKING LEVEL/AREA TO BE ASSIGNED.

Exhibit 10.9

BOX, INC.

OUTSIDE DIRECTOR COMPENSATION POLICY

Box, Inc. (the "**Company**") believes that the granting of equity and cash compensation to members of its Board of Directors (the "**Board**," and members of the Board, the "**Directors**") represents an effective tool to attract, retain and reward Directors who are not employees of the Company (the "**Outside Directors**"). This Outside Director Compensation Policy (the "**Policy**") is intended to formalize the Company's policy regarding cash compensation and grants of equity to its Outside Directors. Unless otherwise defined herein, capitalized terms used in this Policy will have the meaning given such term in the Company's 2015 Equity Incentive Plan (the "**Plan**"). Each Outside Director will be solely responsible for any tax obligations incurred by such Outside Director as a result of the equity and cash payments such Outside Director receives under this Policy.

This Policy became effective on January 22, 2015 (the effective date of the registration statement in connection with the initial public offering of the Company's securities, and was most recently amended and restated on April 9, 2020 (the "**Amendment Date**").

1. <u>Cash Retainers</u>

Annual Cash Retainer for Board Service

Each Outside Director will be paid an annual cash retainer of $30,000.

Annual Cash Retainers for Lead Independent Director and Committee Service

Each Outside Director will be paid additional annual cash retainers for applicable service as follows:

	Chair	Member
Lead Independent Director	$ 12,000	
Committee Service:	Chair	Member
Audit	$ 20,000	$ 8,000
Compensation	$ 12,000	$ 8,000
Nominating and Corporate Governance	$ 8,000	$ 4,000
Operating	$ 20,000	$ 8,000

All cash compensation will be paid quarterly in arrears on a prorated basis.

No Outside Director will receive per meeting attendance fees for attending Board or meetings of committees of the Board.

2. <u>EQUITY COMPENSATION</u>

Outside Directors will be entitled to receive all types of Awards (except Incentive Stock Options) under the Plan (or the applicable equity plan in place at the time of grant), including discretionary Awards not covered under this Policy. All grants of Awards to Outside Directors pursuant to Section 2 of this Policy will be automatic and nondiscretionary, except as otherwise provided herein, and will be made in accordance with the following provisions:

(a) <u>No Discretion</u>. No person will have any discretion to select which Outside Directors will be granted any Awards under this Policy or to determine the number of shares of Company common stock ("**Shares**") to be covered by such Awards.

(b) <u>Initial Awards</u>. Subject to Section 11 of the Plan, effective on the date the person first becomes an Outside Director, whether through election by the stockholders of the Company or appointment by the Board to fill a vacancy, such Outside Director automatically will be granted Restricted Stock Units ("**RSUs**") with a Value (as defined below) equal to $400,000 (collectively, the "**Initial Award**").

The Initial Award will vest in 3 annual installments beginning with the first anniversary after the grant date, in each case, provided that the Outside Director continues to serve as a Service Provider through the applicable vesting date.

For clarity, a Director who is an Employee who ceases to be an Employee, but who remains a Director, will not receive an Initial Award.

(c) <u>Annual Awards</u>. Subject to Section 11 of the Plan, on the date of each annual meeting of the Company's stockholders (the "**Annual Meeting**") beginning with the 2020 Annual Meeting, each Outside Director automatically will be granted RSUs with a Value equal to $200,000 (collectively, the "**Annual Award**").

The Annual Award will fully vest upon the earlier of: (i) the 12-month anniversary of the grant date; or (ii) the next Annual Meeting, in each case, provided that the Outside Director continues to serve as a Service Provider through the vesting date.

For clarity, an Outside Director will not be eligible for an Annual Award unless the Outside Director has been a Director either (i) for at least 1 full calendar year; <u>or</u> (ii) at the previous year's Annual Meeting.

(d) <u>Change in Control</u>. In the event of a Change in Control, each Outside Director will fully vest in his or her Awards.

(e) <u>Termination of Service Due to Death or Disability</u>. In the event an Outside Director ceases to be a Service Provider due to the Outside Director's death or Disability (as defined in the Plan), the Outside Director will fully vest in his or her Awards. In addition, the vesting acceleration provided under the previous sentence will apply to any equity awards granted to the Outside Director prior to the Amendment Date.

(f) <u>Value</u>. To determine the number of Shares subject to an Initial Award or Annual Award, the specified Value for RSUs will be divided by the average of the closing trading price of a Share for the 30-trading day period ending on the trading day prior to the grant date, or such other methodology the Board or the Compensation Committee of the Board (the "**Compensation Committee**") may determine prior to the grant of the RSUs becoming effective.

3. **<u>Travel Expenses</u>**

Each Outside Director's reasonable, customary and documented travel expenses to Board meetings will be reimbursed by the Company.

4. **<u>Additional Provisions</u>**

All provisions of the Plan not inconsistent with this Policy will apply to Awards granted to Outside Directors.

5. **<u>Revisions</u>**

The Board in its discretion may change and otherwise revise the terms of Awards granted under this Policy, including, without limitation, the number of Shares subject thereto, for Awards of the same or different type granted on or after the date the Board determines to make any such change or revision.

Exhibit 31.1

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

I, Aaron Levie, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Box, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 4, 2020	By:	/s/ Aaron Levie
	Name:	Aaron Levie
	Title:	Chief Executive Officer

Exhibit 31.2

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

I, Dylan Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Box, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 4, 2020

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

Exhibit 32.1

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Aaron Levie, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Box, Inc. for the fiscal quarter ended April 30, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Box, Inc.

Date: June 4, 2020	By:	/s/ Aaron Levie
	Name:	Aaron Levie
	Title:	Chief Executive Officer

I, Dylan Smith, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Box, Inc. for the fiscal quarter ended April 30, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Box, Inc.

Date: June 4, 2020	By:	/s/ Dylan Smith
	Name:	Dylan Smith
	Title:	Chief Financial Officer