box

# Second Fiscal Quarter FY22 Financial Results

August 25, 2021

# Forward-looking statements & non-GAAP financial measures

This presentation contains forward-looking statements that involve risks, uncertainties, and assumptions, including statements regarding Box's expectations regarding the size of its market opportunity, sales productivity, its leadership position in the cloud content management market, the demand for its products, the timing of recent and planned product introductions, enhancements and integrations, the short- and long-term success, market adoption and retention, capabilities, and benefits of such product introductions and enhancements, the success of strategic partnerships, the impact of its acquisitions on future Box product offerings, the benefits to its customers from completing acquisitions, the time needed to integrate acquired businesses into Box, the impact of the COVID-19 pandemic on its business, its ability to grow and scale its business and drive operating efficiencies, its ability to achieve revenue targets and billings expectations, its revenue growth rate plus free cash flow margin in fiscal year 2022 and beyond, its long-term financial targets for fiscal year 2024 and beyond, its ability to achieve profitability on a quarterly or ongoing basis, its free cash flow, its ability to continue to grow unrecognized revenue and remaining performance obligations, its revenue, billings, GAAP and non-GAAP gross margin, GAAP and non-GAAP net income (loss) per share, non-GAAP operating margins, the related components of GAAP and non-GAAP net income (loss) per share, weighted-average outstanding share count expectations for Box's fiscal third quarter and full fiscal year 2022, the KKR-led investment and achievement of its potential benefits, any potential repurchase of its common stock, whether, when, in what amount and by what method any such repurchase would be consummated, and the share price of any such repurchase.

There are a significant number of factors that could cause actual results to differ materially from statements made in this presentation, including: (1) adverse changes in general economic or market conditions, including those caused by the COVID-19 pandemic; (2) delays or reductions in information technology spending; (3) factors related to Box's highly competitive market, including but not limited to pricing pressures, industry consolidation, entry of new competitors and new applications and marketing initiatives by Box's current or future competitors; (4) the development of the cloud content management market; (5) the risk that Box's customers do not renew their subscriptions, expand their use of Box's services, or adopt new products offered by Box on a timely basis, or at all; (6) Box's ability to provide timely and successful enhancements and integrations, new features, integrations and modifications to its platform and services; (7) actual or perceived security vulnerabilities in Box's services or any breaches of Box's security controls; (8) Box's ability to realize the expected benefits of its third-party partnerships; (9) the potential impact of shareholder activism on Box's business and operations; and (10) Box's ability to successfully integrate acquired businesses and achieve the expected benefits from those acquisitions. Further information on these and other factors that could affect the forward-looking statements we make in this presentation can be found in the documents that we file with or furnish to the US Securities and Exchange Commission, including Box's most recent Quarterly Report on Form 10-Q filed for the fiscal quarter ended April 30, 2021. In addition, the preliminary financial results set forth in this presentation are estimates based on information currently available to Box. While Box believes these estimates are meaningful, they could differ from the actual amounts that Box ultimately reports in its Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2021. Box assumes no obligations and does not intend to update these estimates prior to filing its Form 10-Q for the fiscal quarter ended July 31, 2021.

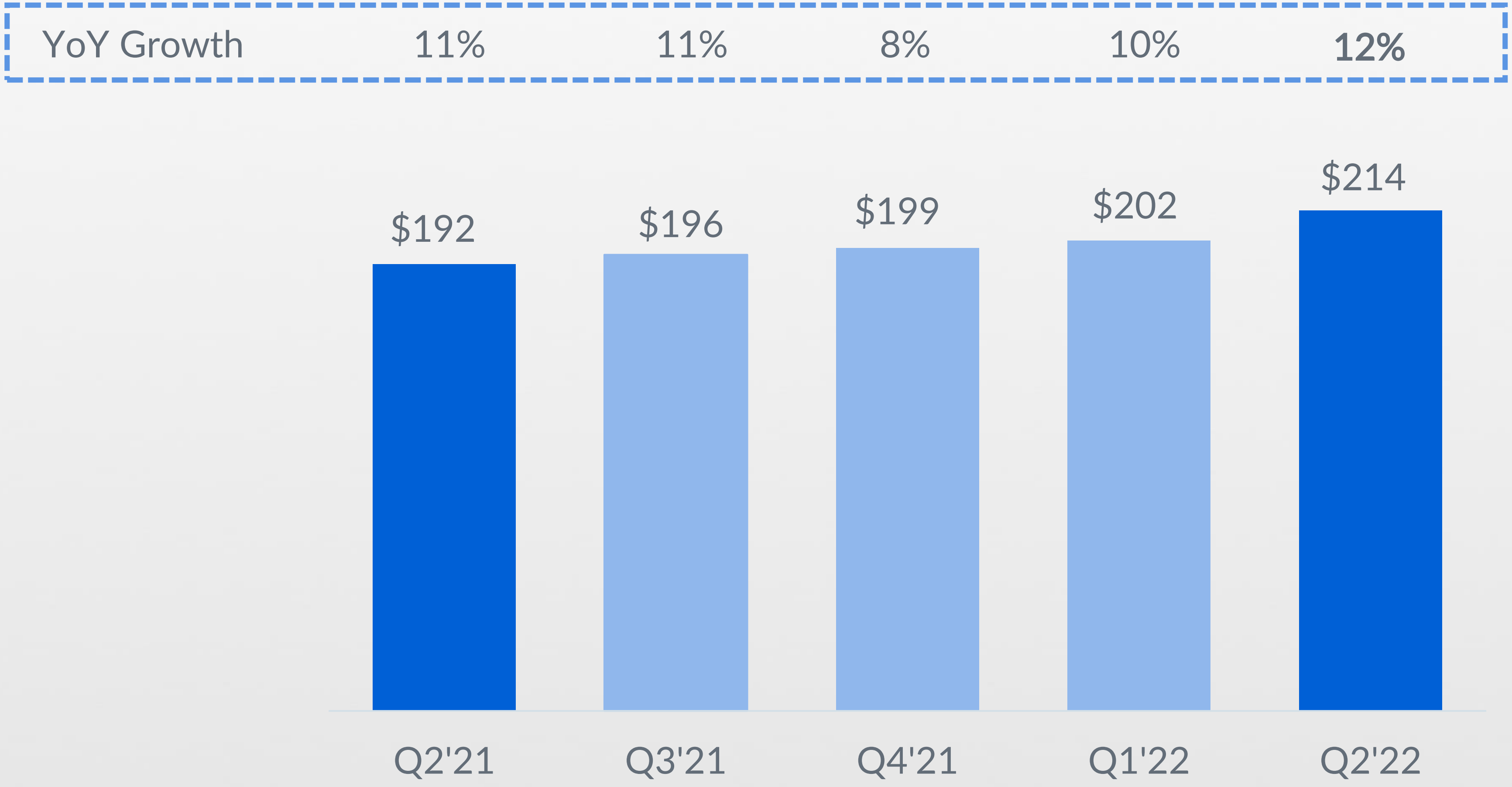
You should not rely on any forward-looking statements, and we assume no obligation, nor do we intend, to update them. All information in this presentation is as of August 25, 2021.

This presentation contains non-GAAP financial measures and key metrics relating to the company's past and expected future performance. You can find the reconciliation of these measures to the nearest comparable GAAP financial measures in the appendix at the end of this presentation.

# Revenue acceleration driven by large and multi-product deals

## Q2 revenue growth represents second consecutive quarter of acceleration

Revenue up 12% YoY*

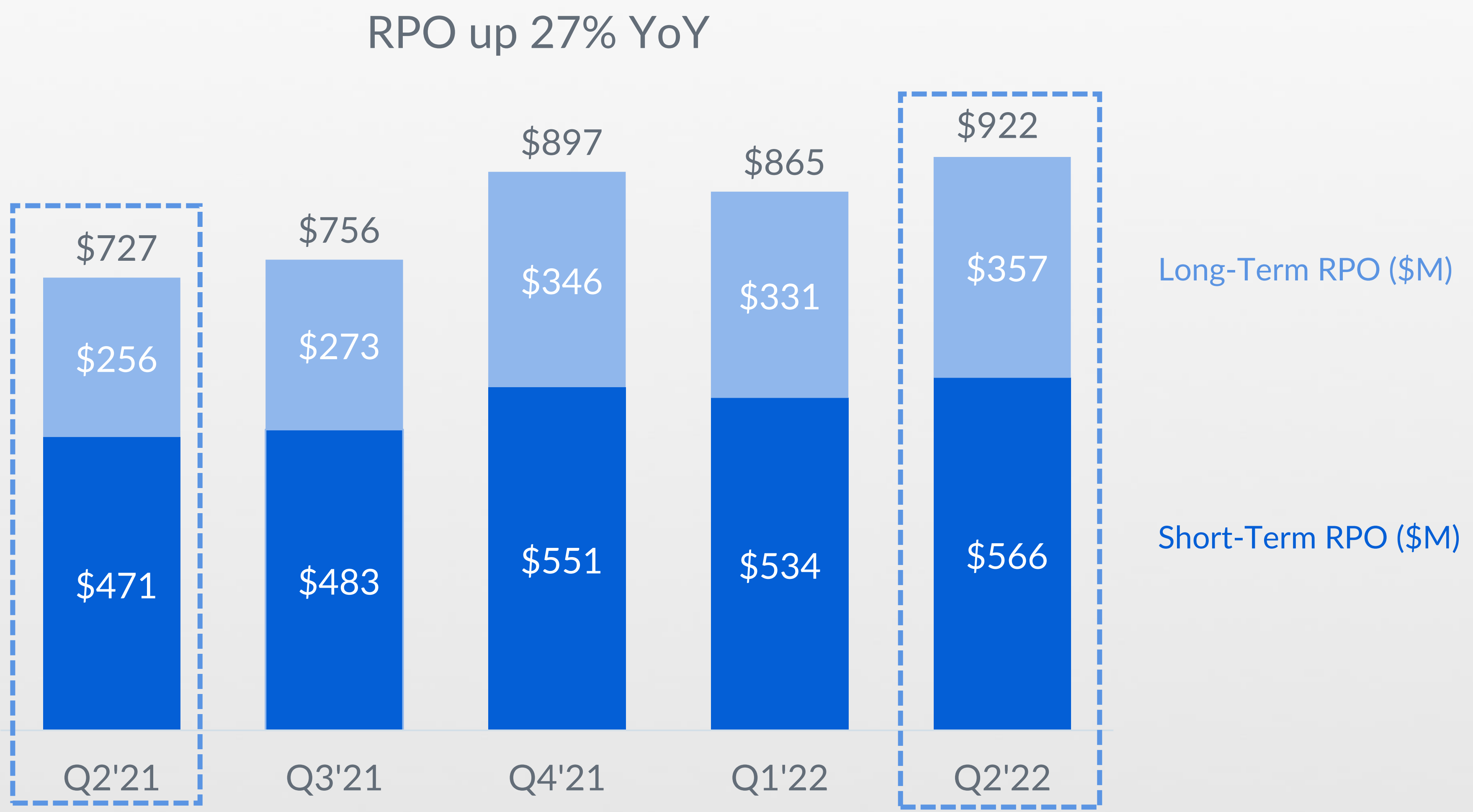



Note: $ values are shown in millions

*Due to rounding, numbers presented may not calculate precisely to percentage change year-over-year.

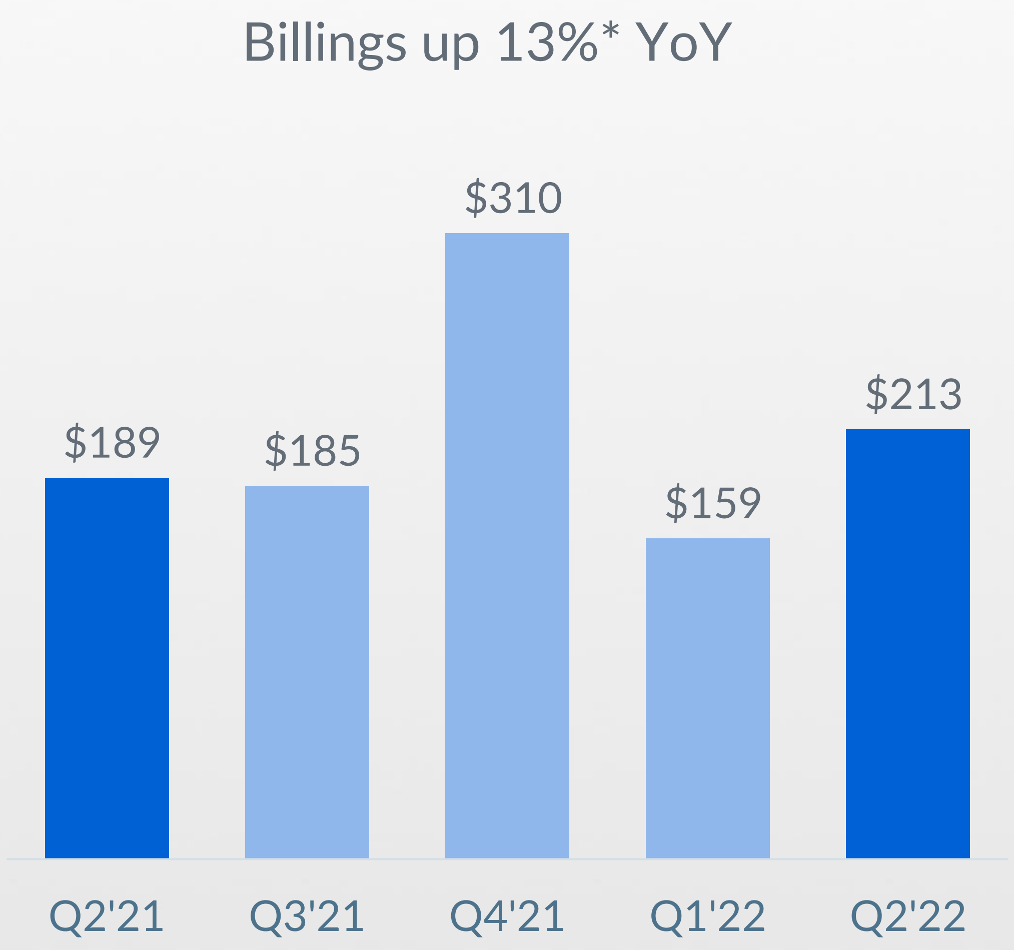
# RPO supports enduring growth and revenue visibility

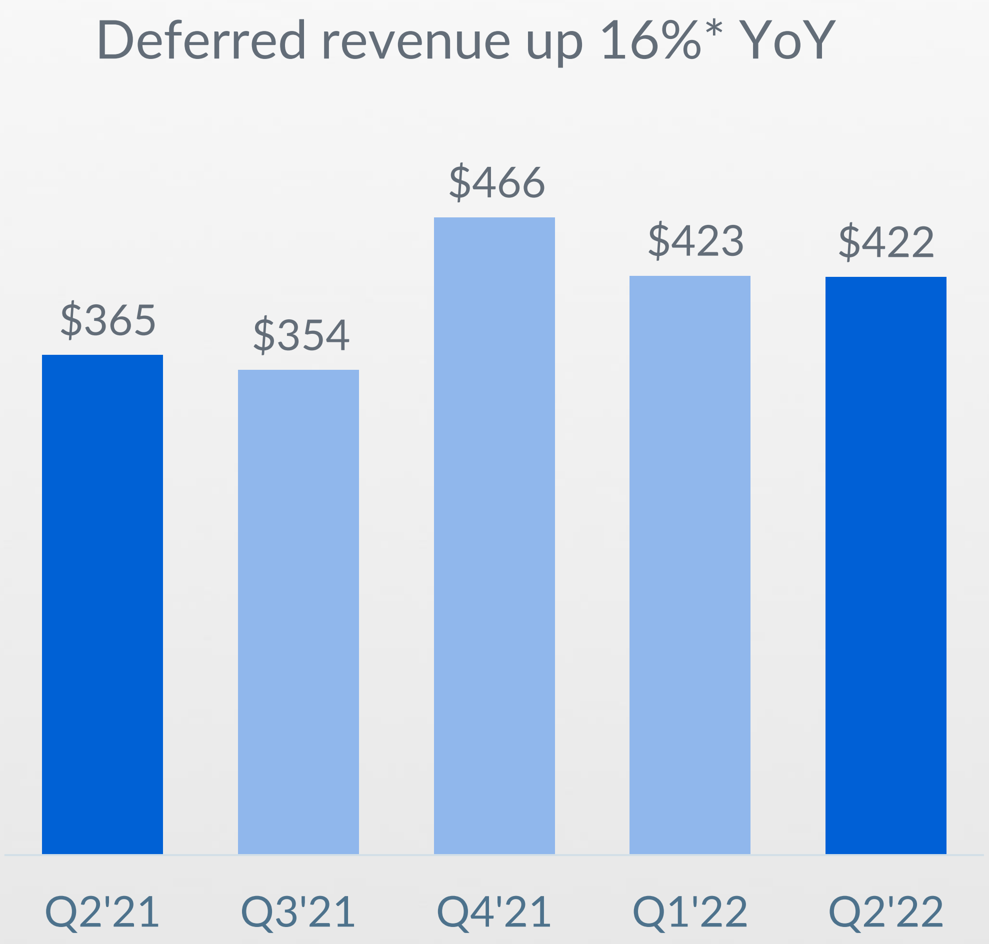
## Trajectory reflects stability and signing longer term strategic deals




Note: 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. Box does not consider RPO to be a non-GAAP financial measure because it is calculated in accordance with GAAP. Figures may not sum due to rounding.

# Billings and deferred revenue



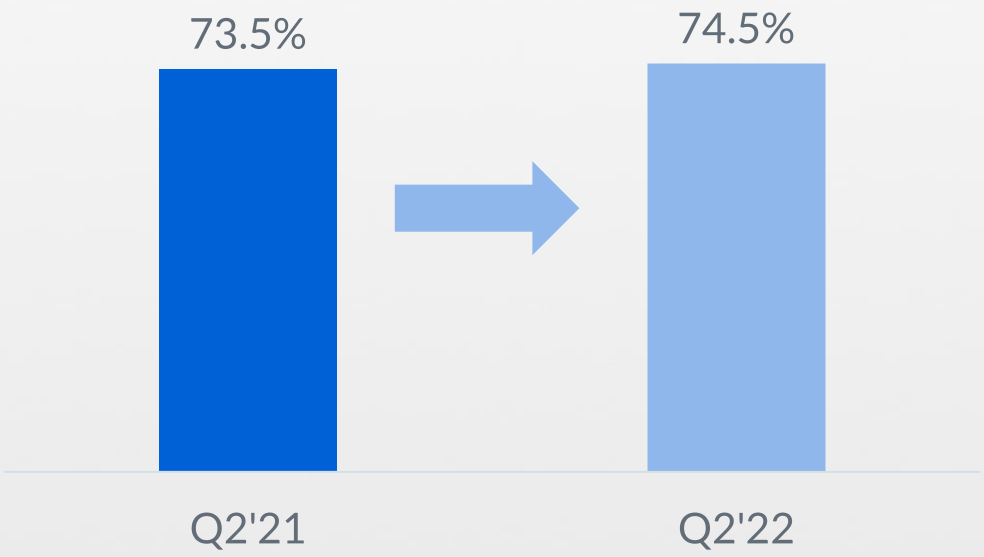




Note: $ values are shown in millions

*Reconciliations of billings to revenue, deferred revenue, and contract assets calculated in accordance with GAAP can be found in the Appendix of this presentation.

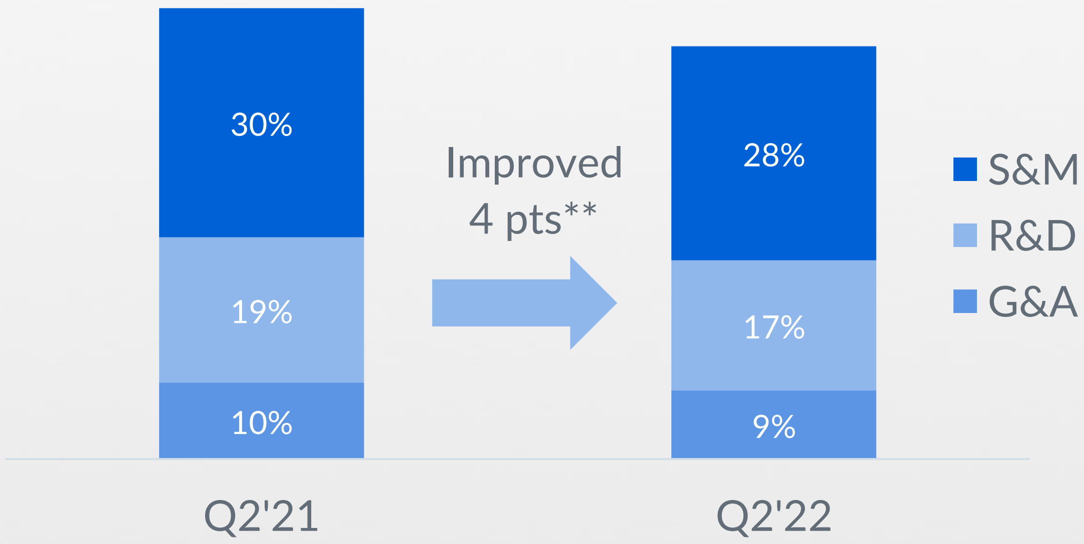
# Gross margin and operating expense*

## Non-GAAP gross margin
Up 100 bps YoY




- Benefit from optimizations to reduce infrastructure costs and improve overall efficiencies.

## Non-GAAP op expense
Down 400 bps YoY



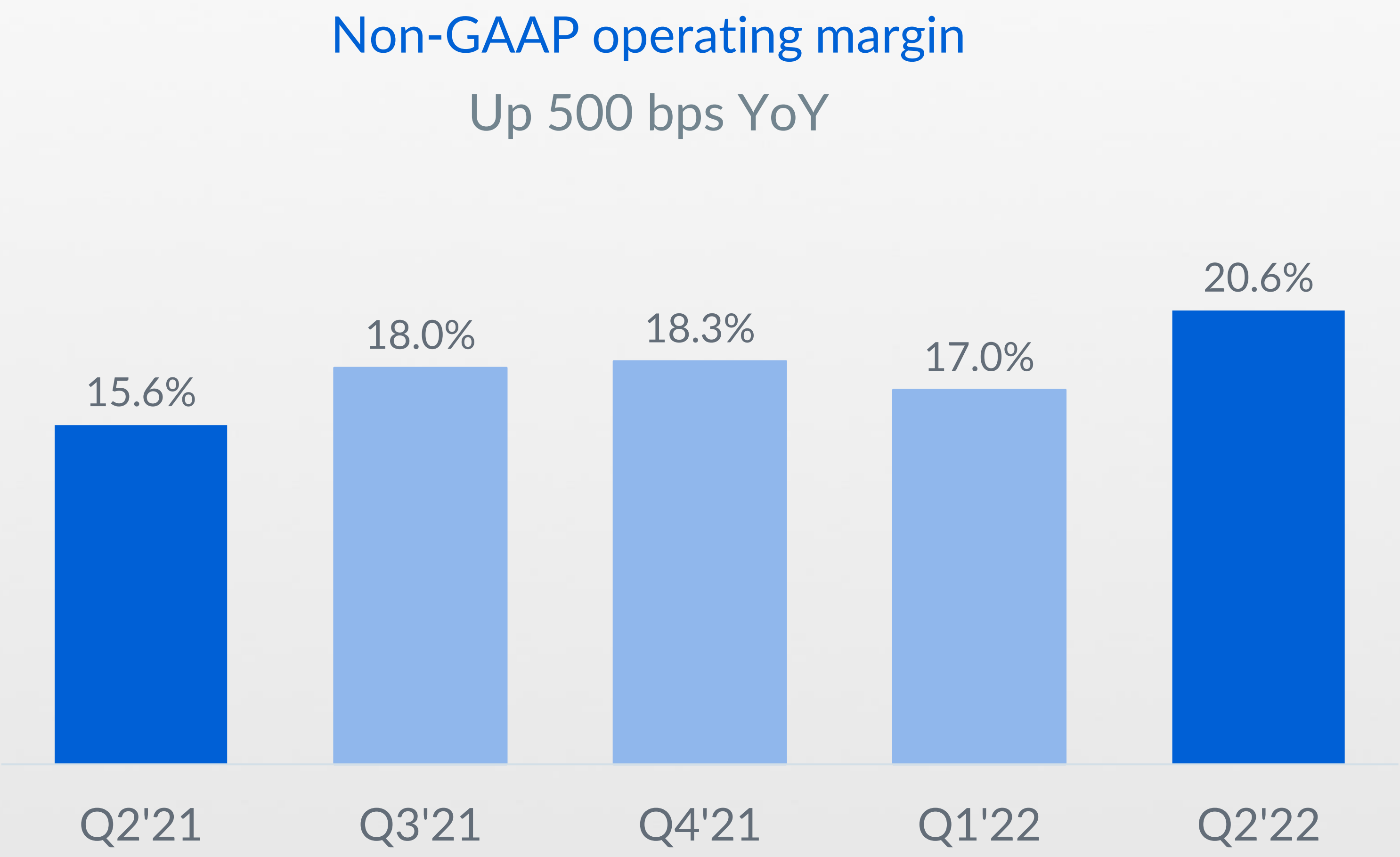

- S&M improved 2 percentage points from improved go-to-market efficiencies
- R&D improved 2 percentage points from enhancements to product offerings
- G&A improved <1% from continued operational excellence and scale

*Operating expense as a % of revenue and gross margin shown on a non-GAAP basis. A reconciliation to the nearest GAAP financial measures can be found in the Appendix of this presentation.

**Due to rounding, numbers presented may not calculate precisely to percentage change year-over-year.

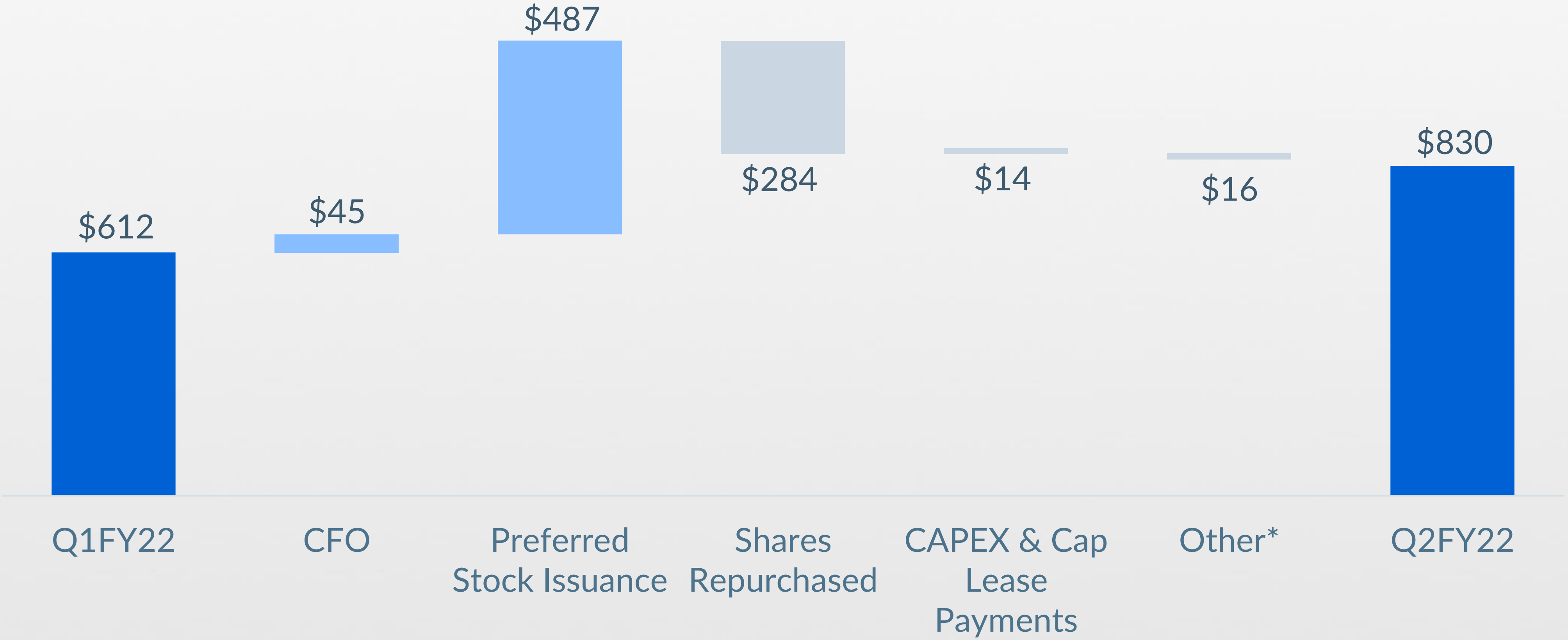
# Delivering significant operating margin improvements

## Operating leverage accelerates margin expansion




Note: A reconciliation of non-GAAP operating to the nearest GAAP financial measures can be found in the Appendix of this presentation.

# Cash, cash equivalents and restricted cash




*"Other" primarily consists of RSU taxes

# Share repurchase update

- We completed our modified Dutch Auction tender offer at the end of June, repurchasing approximately 9.2 million shares of Class A common stock, for an aggregate cost of approximately $238 million,

- On July 9, 2021, the Board of Directors authorized a $260 million Share Repurchase Plan, to opportunistically repurchase additional shares of Box's Class A common stock.

- As of August 24, 2021, we had repurchased 2.9 million shares of Class A common stock at a weighted average price of $23.89, for a total of $70 million.  Combined with the modified Dutch Auction tender, we have repurchased a total of 12.2 million shares for a total of $308 million.

# Guidance and Outlook

# Q3 and fiscal year 2022 guidance

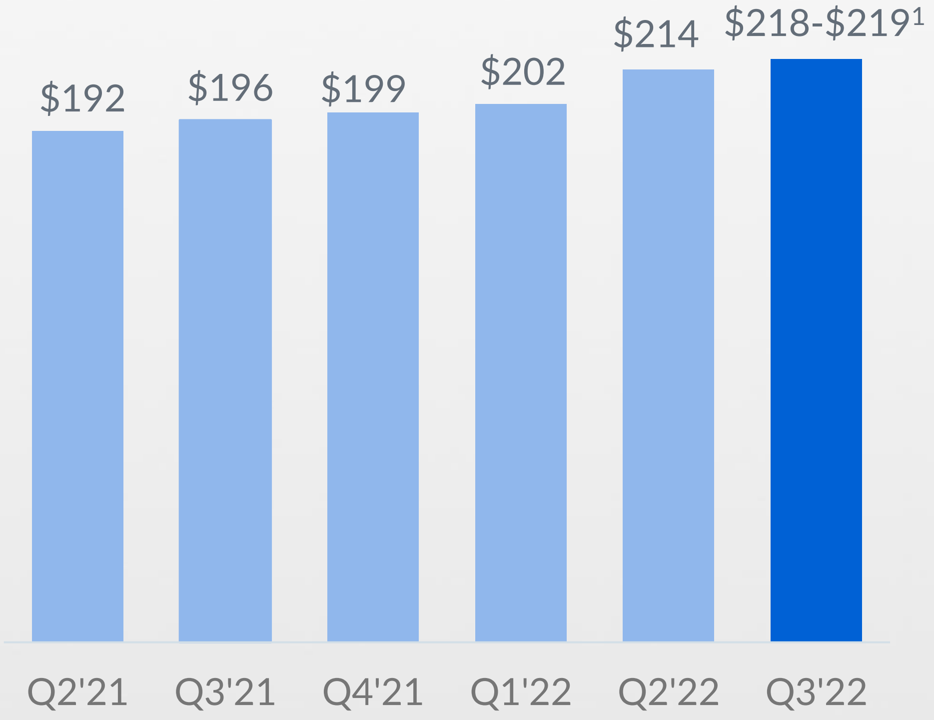
| Q3 FY22 | Guidance |
|---|---|
| Revenue | \$218M – \$219M |
| GAAP EPS | (9¢) – (8¢) |
| Non-GAAP EPS (diluted) | 20¢ - 21¢ |
| Weighted-average shares used to compute GAAP EPS | 154 million |
| Weighted-average shares used to compute non-GAAP EPS (diluted) | 162 million |
| GAAP operating margin | Approximately (2.5%) |
| Non-GAAP operating margin | Approximately 20% |

| Fiscal year 2022 | |
|---|---|
| Revenue | \$856M – \$860M |
| GAAP EPS | (34¢) – (32¢) |
| Non-GAAP EPS (diluted) | 79¢ - 81¢ |
| Weighted-average shares used to compute GAAP EPS | 158 million |
| Weighted-average shares used to compute non-GAAP EPS (diluted) | 166 million |
| GAAP operating margin | Approximately (3%) |
| Non-GAAP operating margin | Approximately 19.5% |

# Strong revenue growth at scale

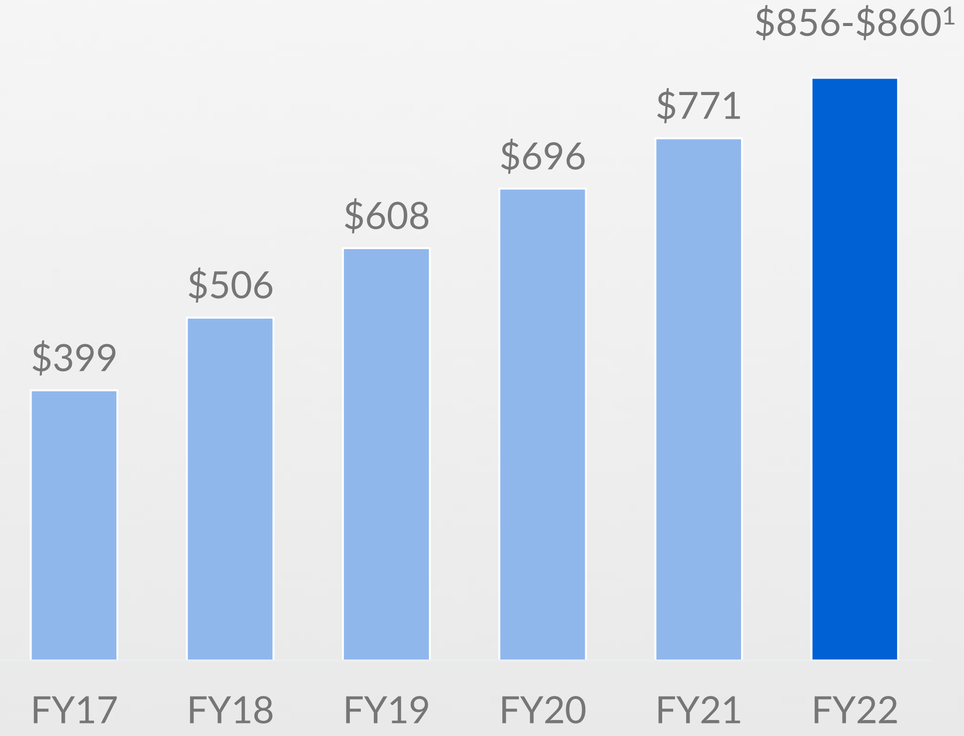
## Driven by customer retention and expansion

### 3Q FY22 revenue guidance up 12% YoY




Quarterly Revenue ($M)

### FY22 revenue guidance up 12% YoY




Annual Revenue ($M)

Note: Box adopted the new revenue recognition standard ASC 606 beginning with its fiscal year 2019 using the modified retrospective transition method. The reported results for years including and subsequent to fiscal year 2019 reflect the application of ASC 606 while the reported results for fiscal years 2017 and 2018 are not adjusted and continue to be reported under the prior revenue recognition standard ASC 605.
(1) Based on the high end of FY22 guidance provided on Q2 FY22 earnings call.
Note: $ values are shown in millions

# Driving margin expansion while building Cloud Content momentum

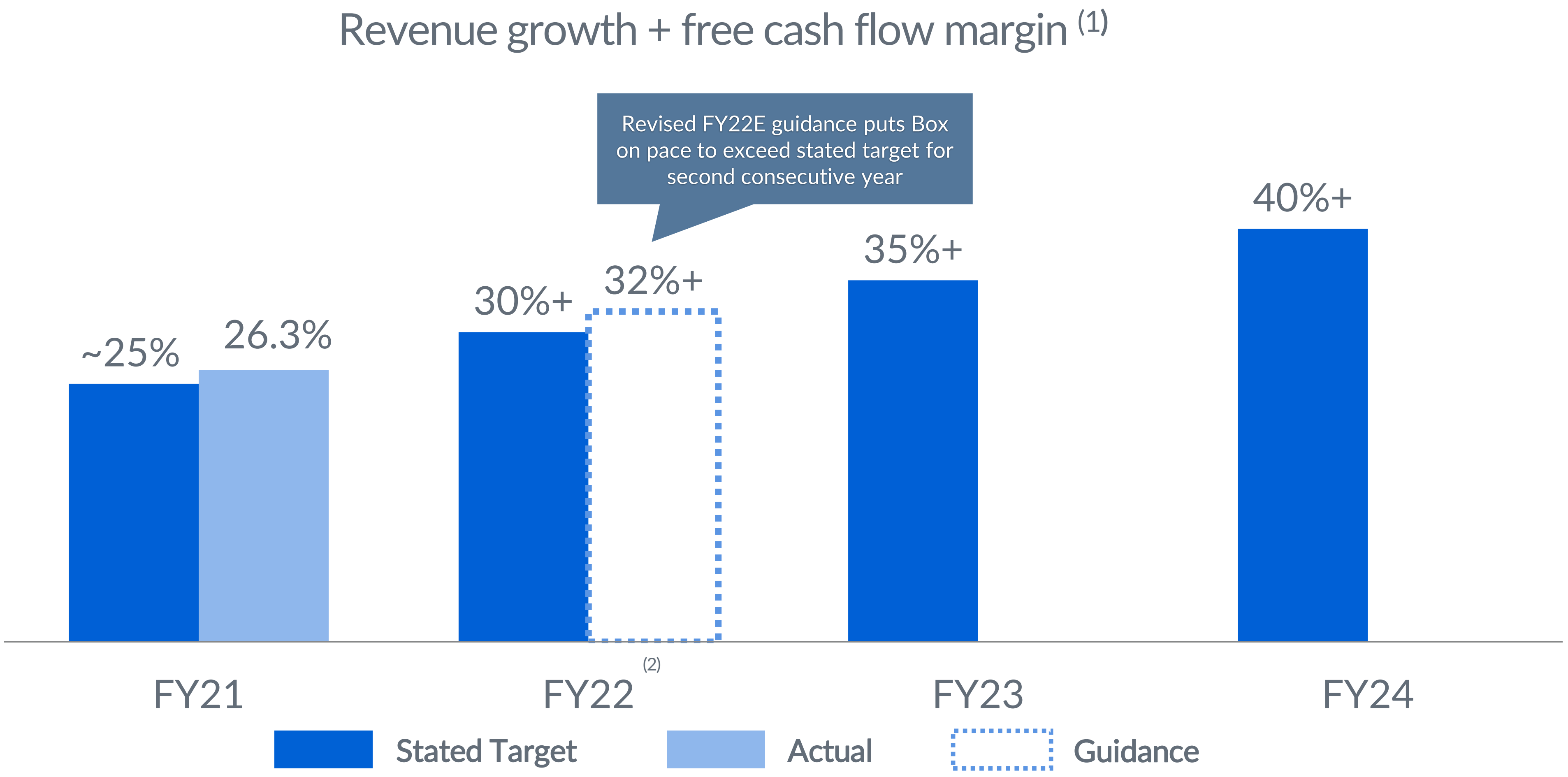
## Committed to delivering significant improvements to financial profile

| | FY19 | FY20 | FY21 | FY24 Target |
|---|---|---|---|---|
| Revenue Growth + FCF Margin | 22% | 13% | 26% | 40%+ |
| Revenue Growth | 20% | 14% | 11% | 12–16% |
| Gross Margin | 74% | 71% | 73% | ~75% |
| S&M as a % of Revenue | 45% | 40% | 30% | 24–27% |
| R&D as a % of Revenue | 19% | 20% | 18% | 16–17% |
| G&A as a % of Revenue | 11% | 10% | 9% | ~8% |
| Operating Margin | (2%) | 1% | 15% | 23-27% |

Note: Gross Margin, S&M as a % of revenue, R&D as a % of revenue, G&A as a % of revenue, Operating Margin, and Free Cash Flow Margin are non-GAAP financial measures. A reconciliation to their nearest GAAP financial measures can be found in the Appendix of this presentation.

# Committed to exceeding growth and profitability targets

## Executing a clear and compelling strategy to drive financial results



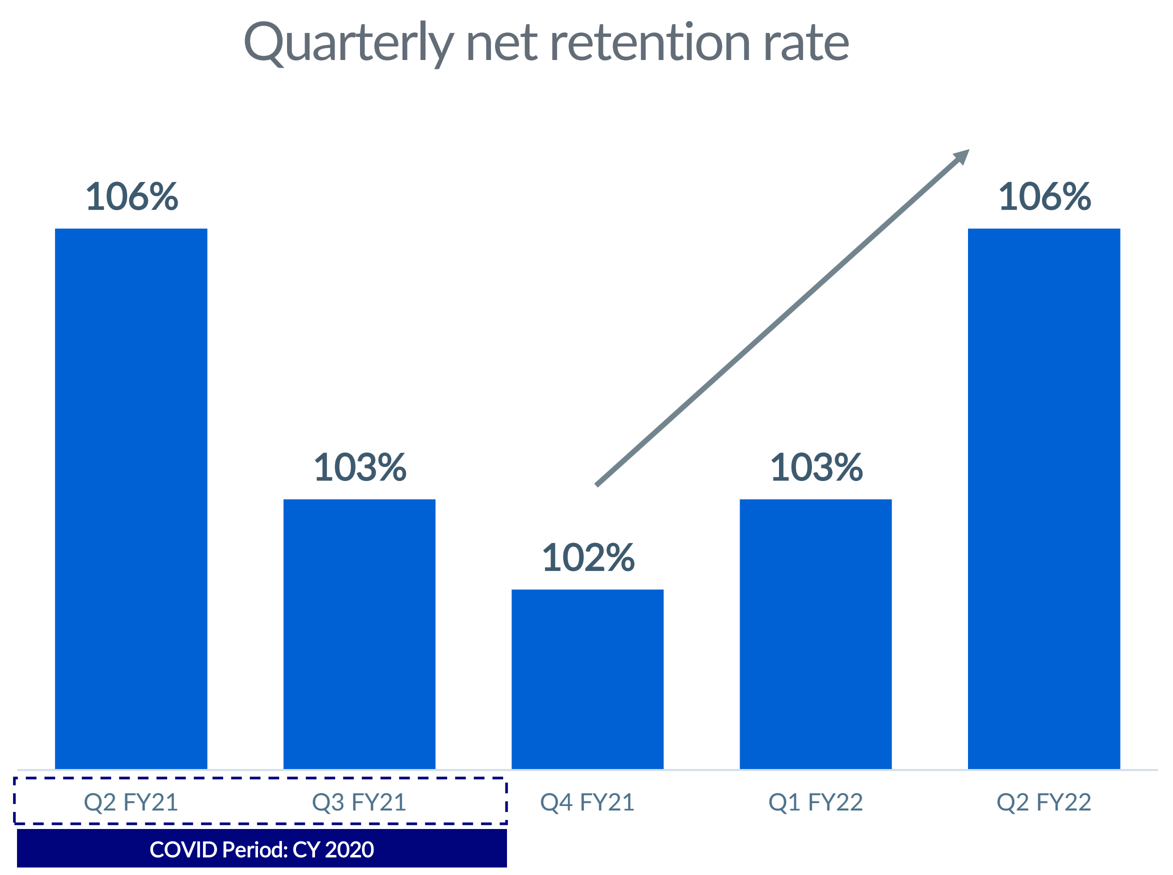

Notes: Box fiscal year ends January 31.

1. Free Cash Flow Margin is a Non-GAAP financial measure. A reconciliation to its nearest GAAP financial measure can be found in the Appendix of this presentation.
2. Based on FY22E Revenue Growth + Free Cash Flow Margin guidance of at least 32%, provided on August 25, 2021.

# Key Customer Metrics

# Re-accelerating customer momentum and expansion

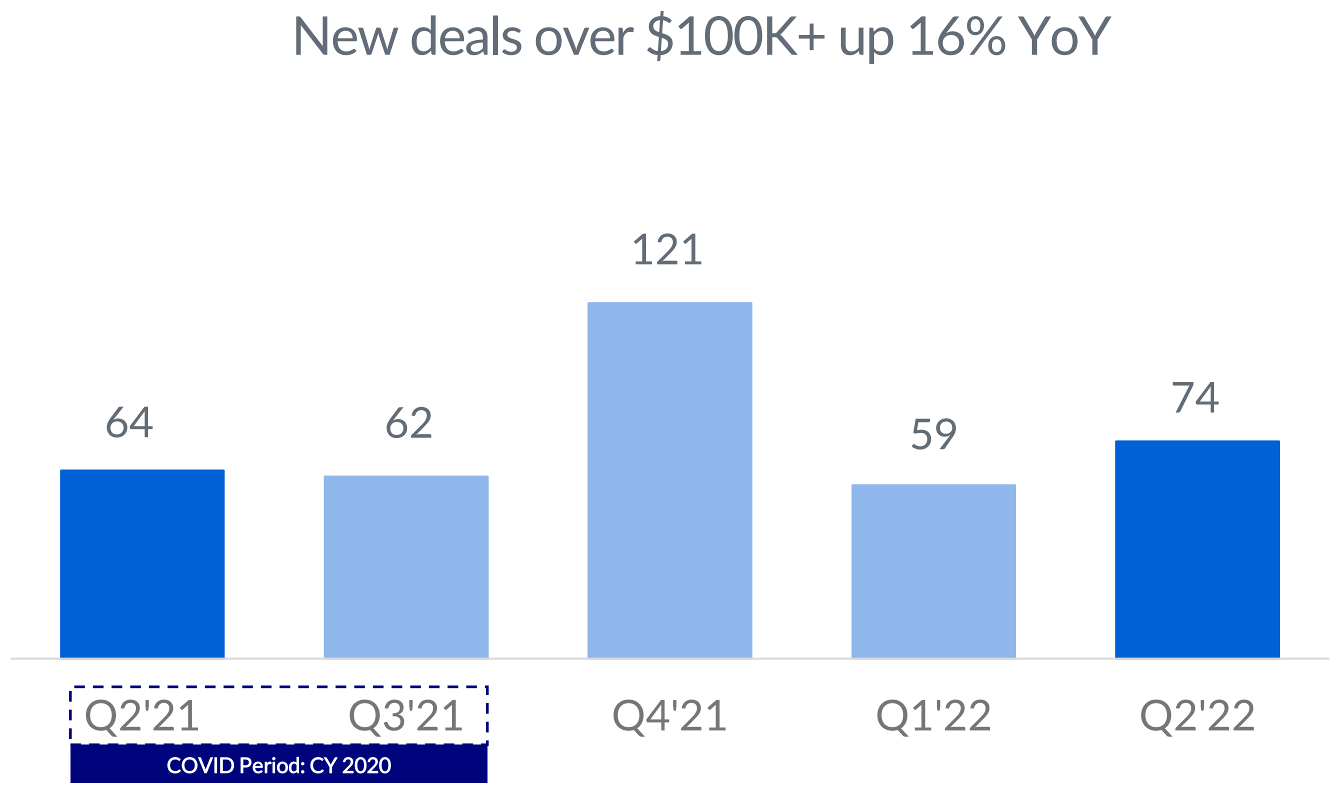
## Strong momentum in FY22 driving growth in net retention rates




Notes: Box fiscal year ends January 31.

# Re-accelerating customer momentum and expansion

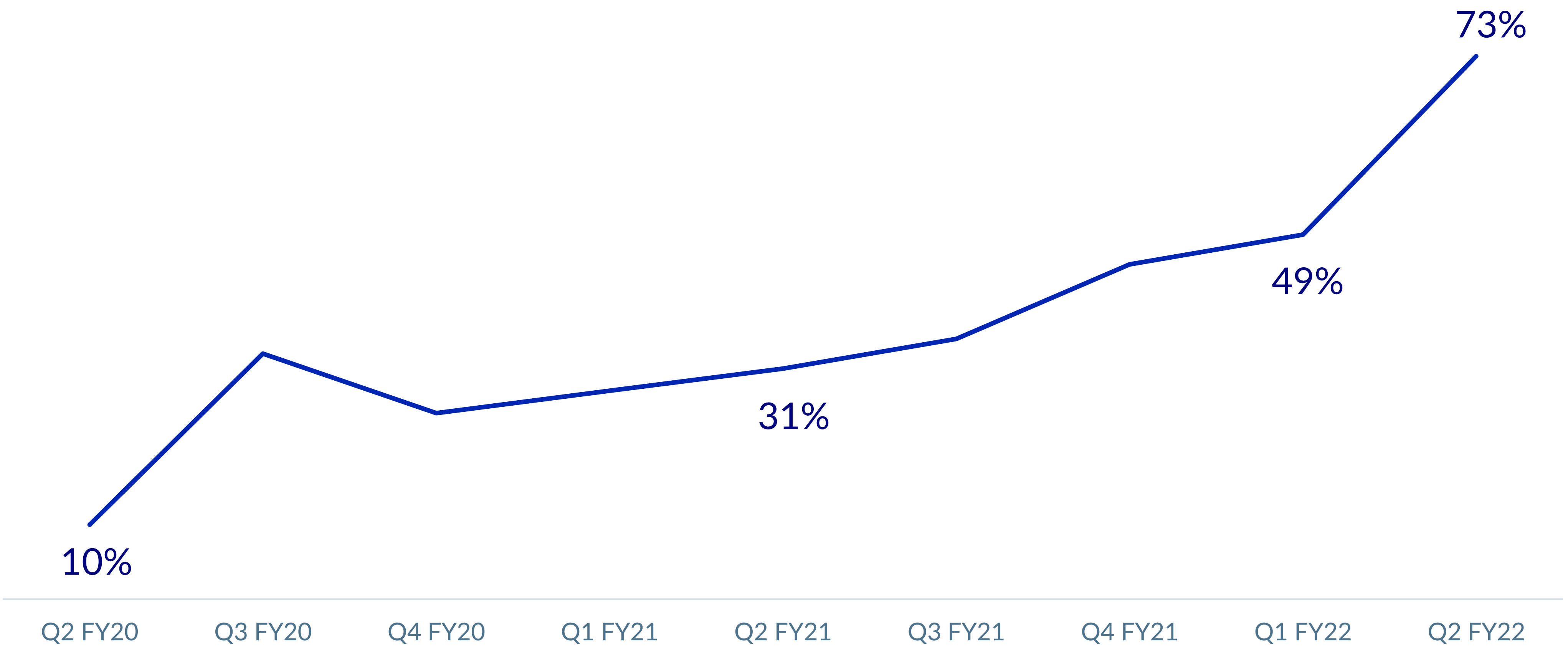
## Despite COVID-related challenges in FY’21, recent results show the strategy to revamp our GTM engine is producing results



# Shift to multi-product solution selling is paying off

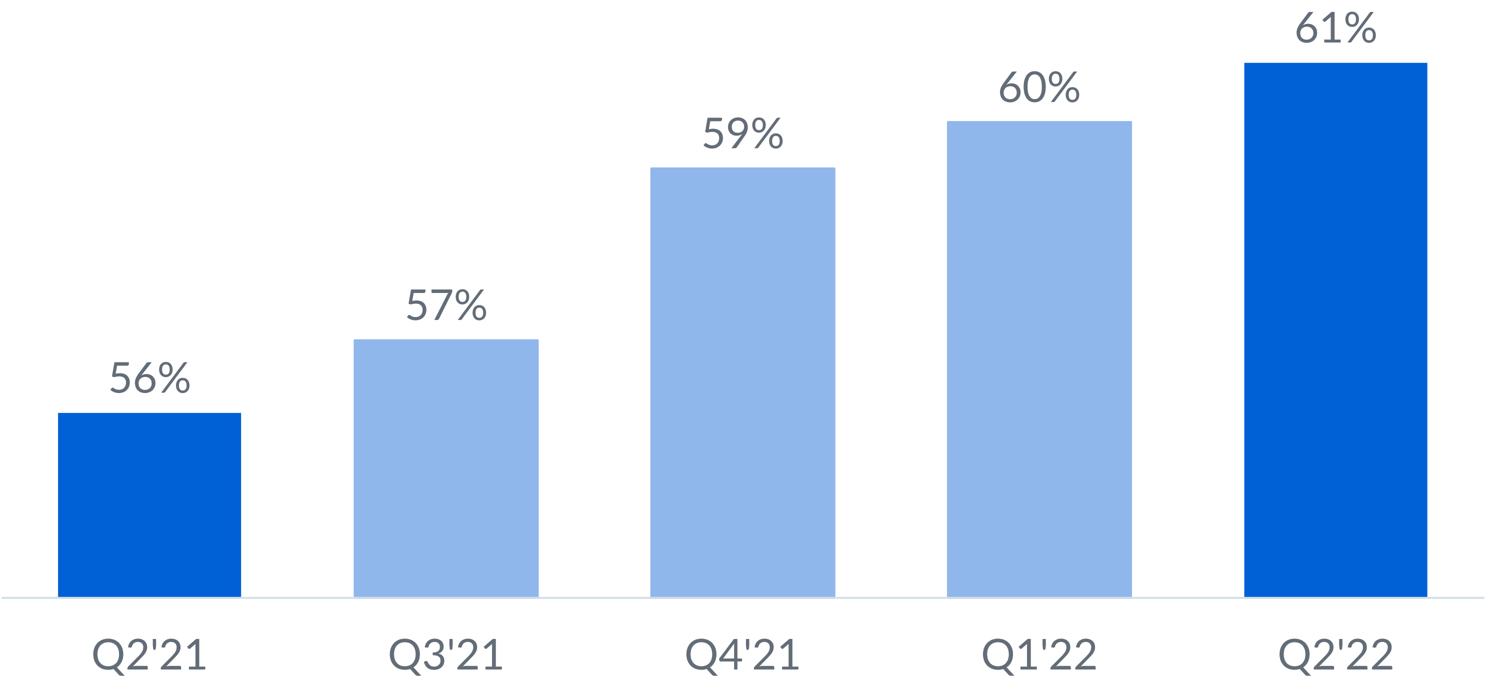
## Consistent improvement in attach rates demonstrates platform's enhanced strategic value

Attach rates for Box Suites (multi-product pricing plans) for $100K+ deals



# Customers increasingly adopting products with advanced capabilities

% of Total Revenue from customers who have purchased at least additional product



# Appendix

# GAAP Revenue to Billings Reconciliation

| *($ in thousands)* | Q2FY21 | Q3FY21 | Q4FY21 | Q1FY22 | Q2FY22 |
|---|---|---|---|---|---|
| **GAAP revenue** | **$192,293** | **$196,003** | **$198,913** | **$202,441** | **$214,486** |
| Deferred revenue, end of period | 364,871 | 354,363 | 465,613 | 423,249 | 422,039 |
| Less: Deferred revenue, beginning of period | (368,349) | (364,871) | (354,363) | (465,613) | (423,249) |
| Contract assets, beginning of period | - | - | - | 25 | 677 |
| Less: Contract assets, end of period | - | - | (25) | (677) | (866) |
| **Billings** | **$188,815** | **$185,495** | **$310,138** | **$159,425** | **$213,087** |

# GAAP to Non-GAAP Reconciliation – Gross Margin

| *($ in thousands)* | **Q2FY21** | *As a % of revenue* | **Q2FY22** | *As a % of revenue* |
|---|---|---|---|---|
| **GAAP gross margin** | **$136,959** | *71.2%* | **$153,698** | *71.7%* |
| Add: Stock-based compensation | 4,401 | | 4,883 | |
| Add: Acquired intangible assets amortization | - | | 1,255 | |
| Add: Acquisition-related expenses | - | | - | |
| **Non-GAAP gross margin** | **$141,360** | *73.5%* | **$159,836** | *74.5%* |

| *($ in thousands)* | **FY19** | *As a % of revenue* | **FY20** | *As a % of revenue* | **FY21** | *As a % of revenue* |
|---|---|---|---|---|---|---|
| **GAAP gross margin** | **$434,792** | *71.5%* | **$480,687** | *69.0%* | **$546,032** | *70.8%* |
| Add: Stock-based compensation | 14,065 | | 16,769 | | 18,936 | |
| Add: Restructuring activities | - | | 27 | | - | |
| **Non-GAAP gross margin** | **$448,857** | *73.8%* | **$497,483** | *71.4%* | **$564,968** | *73.3%* |

# GAAP to Non-GAAP Reconciliation — Operating Expenses

| *($ in thousands)* | **Q2FY21** | *As a % of revenue* | **Q2FY22** | *As a % of revenue* |
|---|---|---|---|---|
| **GAAP research and development** | **$50,115** | *26%* | **$52,722** | *25%* |
| Less: Stock-based compensation | (14,271) | | (16,626) | |
| **Non-GAAP research and development** | **$35,844** | *19%* | **$36,096** | *17%* |
| | | | | |
| **GAAP sales and marketing** | **$67,757** | *35%* | **$72,788** | *34%* |
| Less: Stock-based compensation | (10,666) | | (12,919) | |
| **Non-GAAP sales and marketing** | **$57,091** | *30%* | **$59,869** | *28%* |
| | | | | |
| **GAAP general and administrative** | **$26,597** | *14%* | **$34,298** | *16%* |
| Less: Stock-based compensation | (8,223) | | (9,700) | |
| Less: Acquired intangible assets amortization | - | | (11) | |
| Less: Acquisition-related expenses | - | | (44) | |
| Less: Fees related to shareholder activism | - | | (4,771) | |
| **Non-GAAP general and administrative** | **$18,374** | *10%* | **$19,772** | *9%* |

# GAAP to Non-GAAP Reconciliation – Operating Expenses

| *($ in thousands)* | **FY19** | *As a % of revenue* | **FY20** | *As a % of revenue* | **FY21** | *As a % of revenue* |
|---|---|---|---|---|---|---|
| **GAAP research and development** | **$163,750** | *27%* | **$199,750** | *29%* | **$201,262** | *26%* |
| Less: Stock-based compensation | (45,189) | | (62,565) | | (61,145) | |
| Less: Restructuring activities | - | | (306) | | - | |
| **Non-GAAP research and development** | **$118,561** | *19%* | **$136,879** | *20%* | **$140,117** | *18%* |
| | | | | | | |
| **GAAP sales and marketing** | **$312,210** | *51%* | **$317,615** | *46%* | **$275,742** | *36%* |
| Less: Stock-based compensation | (36,864) | | (38,030) | | (42,015) | |
| Less: Intangible assets amortization | (9) | | - | | - | |
| Less: Restructuring activities | - | | (1,134) | | - | |
| **Non-GAAP sales and marketing** | **$275,337** | *45%* | **$278,451** | *40%* | **$233,727** | *30%* |
| | | | | | | |
| **GAAP general and administrative** | **$93,069** | *15%* | **$102,794** | *15%* | **$106,670** | *14%* |
| Less: Stock-based compensation | (23,178) | | (28,624) | | (32,196) | |
| Less: Intangible assets amortization | (15) | | - | | - | |
| Less: Acquisition-related expenses | - | | - | | (790) | |
| Less: Fees related to shareholder activism | - | | (1,154) | | (1,402) | |
| Less: Restructuring activities | - | | (184) | | - | |
| **Non-GAAP general and administrative** | **$69,876** | *11%* | **$72,832** | *10%* | **$72,282** | *9%* |

# GAAP to Non-GAAP Reconciliation — Operating Margin

| *($ in thousands)* | **Q2FY21** | *As a % of revenue* | **Q3FY21** | *As a % of revenue* | **Q4FY21** | *As a % of revenue* | **Q1FY22** | *As a % of revenue* | **Q2FY22** | *As a % of revenue* |
|---|---|---|---|---|---|---|---|---|---|---|
| **GAAP operating margin** | **($7,510)** | *(4%)* | **($2,614)** | *(1%)* | **($3,278)** | *(2%)* | **($10,263)** | *(5%)* | **($6,110)** | *(3%)* |
| Add: Stock-based compensation | 37,561 | *20%* | 37,834 | *19%* | 38,854 | *20%* | 41,790 | *21%* | 44,128 | *21%* |
| Add: Acquired intangible assets amortization | - | - | - | - | - | - | 901 | - | 1,266 | *1%* |
| Add: Acquisition-related expenses | - | - | - | - | 790 | - | 920 | - | 115 | - |
| Add: Fees related to shareholder activism | - | - | - | - | - | - | 1,050 | *1%* | 4,771 | *2%* |
| **Non-GAAP operating margin** | **$30,051** | *16%* | **$35,220** | *18%* | **$36,366** | *18%* | **$34,398** | *17%* | **$44,170** | *21%* |

| *($ in thousands)* | **FY19** | *As a % of revenue* | **FY20** | *As a % of revenue* | **FY21** | *As a % of revenue* |
|---|---|---|---|---|---|---|
| **GAAP operating margin** | **($134,237)** | *(22%)* | **($139,472)** | *(20%)* | **($37,642)** | *(5%)* |
| Add: Stock-based compensation | 119,296 | *20%* | 145,988 | *21%* | 154,292 | *20%* |
| Add: Intangible assets amortization | 24 | *0%* | - | - | - | - |
| Add: Expenses related to legal verdict | - | - | - | - | - | - |
| Add: Acquisition-related expenses | - | - | - | - | 790 | *0%* |
| Add: Fees related to shareholder activism | - | - | 1,154 | *0%* | 1,402 | *0%* |
| Add: Restructuring activities | - | - | 1,651 | *0%* | - | - |
| **Non-GAAP operating margin** | **($14,917)** | *(2%)* | **$9,321** | *1%* | **$118,842** | *15%* |

# GAAP to Non-GAAP Reconciliation — Free Cash Flow

| *($ in thousands)* | **FY19** | *As a % of revenue* | **FY20** | *As a % of revenue* | **FY21** | *As a % of revenue* |
|---|---|---|---|---|---|---|
| **GAAP net cash provided by operating activities** | **$55,321** | *9%* | **$44,713** | *6%* | **$196,834** | *26%* |
| Less: Purchases of property and equipment, net of proceeds from sales | (14,806) | | (5,444) | | (9,052) | |
| Less: Principal payments of finance lease liabilities | (23,930) | | (38,542) | | (60,020) | |
| Less: Capitalized internal-use software costs | (2,761) | | (7,957) | | (7,438) | |
| **Free cash flow** | **$13,824** | *2%* | **($7,230)** | *(1%)* | **$120,324** | *16%* |

# GAAP to Non-GAAP Reconciliation — EPS Outlook

| | Three Months Ended October 31, 2021 | Fiscal Year Ended January 31, 2022 |
|---|---|---|
| **GAAP net loss per share attributable to common stockholders range, basic and diluted** | **($0.09 – $0.08)** | **($0.34 - $0.32)** |
| Stock-based compensation | 0.28 | 1.10 |
| Acquired intangible asset amortization | 0.01 | 0.03 |
| Acquisition-related expenses | - | 0.03 |
| Fees related to shareholder activism | 0.03 | 0.07 |
| Amortization of debt issuance costs | - | 0.01 |
| Undistributed earnings attributable to preferred stockholders | (0.02) | (0.07) |
| **Non-GAAP net income per share attributable to common stockholders range, basic** | **$0.21 – $0.22** | **$0.83 - $0.85** |
| **Non-GAAP net income per share attributable to common stockholders range, diluted** | **$0.20 – $0.21** | **$0.79 - $0.81** |
| | | |
| **Weighted-average shares used to compute GAAP net loss per share attributable to common stockholders , basic and diluted** | **153,537** | **157,809** |
| | | |
| **Weighted-average shares used to compute Non-GAAP net income per share attributable to common stockholders** | | |
| **Basic** | **153,537** | **157,809** |
| **Diluted** | **161,873** | **165,760** |

# GAAP to Non-GAAP Reconciliation — Operating Margin Outlook

| *($ in thousands)* | Three Months Ended October 31, 2021 | Fiscal Year Ended January 31, 2022 |
|---|---|---|
| **GAAP operating margin** | **(2.5%)** | **(3%)** |
| Add: Stock-based compensation | 19.5% | 20% |
| Add: Acquired intangible assets amortization | 1% | 1% |
| Add: Acquisition-related expenses | - | 0.5% |
| Add: Fees related to shareholder activism | 2% | 1% |
| **Non-GAAP operating margin** | **20%** | **19.5%** |