

boxWORKS<sup>19</sup>

Simplify how you work



Simplify how you work

# Intro & Safe Harbor

Alice Lopatto

Head of Investor Relations

# Forward-Looking Statements and Non-GAAP Financial Measures

This presentation contains forward-looking statements that involve risks and uncertainties, including statements regarding Box's expectations regarding the size of its market opportunity, the demand for its products, its ability to scale its business and drive operating efficiencies, its ability to achieve revenue and free cash flow targets in the coming years, financial performance upon achieving Box's long-term target operating model, including customer retention targets, sales segment growth rates, expectations regarding its ability to achieve profitability on a quarterly or ongoing basis, planned improvements to sales productivity rates, the timing of recent and planned product introductions and enhancements, the short- and long-term success, market adoption, pricing, capabilities, and benefits of such product introductions and enhancements, international expansion, and the success of strategic partnerships, as well as expectations regarding the amount and timing of its revenue, billings, margins, GAAP and non-GAAP earnings per share, the related components of GAAP and non-GAAP earnings per share, and weighted average basic and diluted outstanding share count expectations for Box's fiscal third quarter and full fiscal year 2020 and beyond.

There are a significant number of factors that could cause actual results to differ materially from statements made in this press release, including: (1) adverse changes in general economic or market conditions; (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) Box's ability to transition to a solution sales and services focus; (6) Box's limited operating history, which makes it difficult to predict future results; (7) 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; (8) Box's ability to provide timely and successful enhancements, new features and modifications to its platform and services; (9) actual or perceived security vulnerabilities in Box's services or any breaches of Box's security controls; (10) Box's ability to realize the expected benefits of its third-party partnerships; and (11) changes in the global regulatory landscape. 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 July 31, 2019.

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 October 3, 2019. 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. You can also find information regarding our use of non-GAAP financial measures in our earnings release dated August 28, 2019.



Simplify how you work

# Capitalizing on our CCM opportunity: Simplifying how you work



Aaron Levie

CEO & Co-Founder  
Box

Our mission is to power  
how the world works together

69%

Fortune 500

95K

Customers





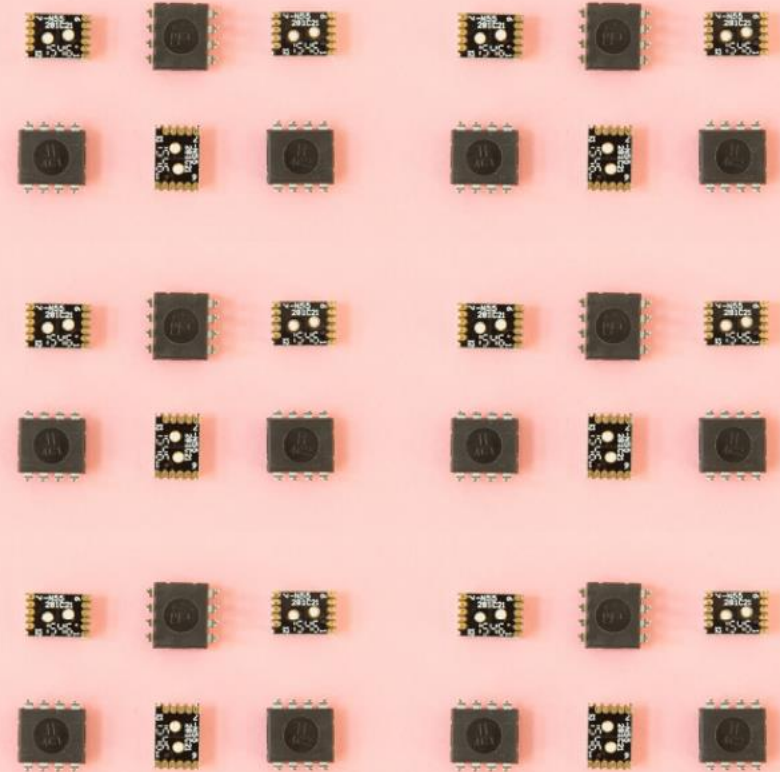
Accelerating the speed  
of sharing content for  
case evidence across the  
entire police force.







Saved \$10 million in IT costs by transforming how they manage their content in the cloud.



# Morgan Stanley

Transforming client  
collaboration with  
financial advisors  
leveraging Box.



We're just getting started

Box is well positioned to capture the \$45B+ market for content and collaboration



\$45B+ market going through major disruption, with ECM workloads now moving to the cloud



Market-leading product delivery, recognized as the #1 Cloud Content Management Platform



End-to-end CCM portfolio and Suites further driving land-and-expand sales motion



World-class, experienced executives and board members joining Box in next phase of growth



Committed to delivering significant margin expansion by improving efficiency and sales productivity

The opportunity for Box has never been bigger





**Your processes depend  
on people both inside and  
outside your organization**



**Your teams demand  
intuitive, cloud-based  
tools that work together**



**You need uncompromising  
security that doesn't slow  
down the business**



# Existing technologies make work too complex

## Legacy enterprise content management

- ✗ Doesn't have modern user experiences
- ✗ Lacks external collaboration capabilities
- ✗ Too rigid and costly to update

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SharePoint

opentext™



## Enterprise file sync and share

- ✗ Doesn't tie to departmental processes and apps
- ✗ Unable to automate workflows
- ✗ Lacks advanced security and governance

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OneDrive



# Cloud Content Management from Box

One platform for secure content management,  
collaboration and workflow



# The leader in Cloud Content Management

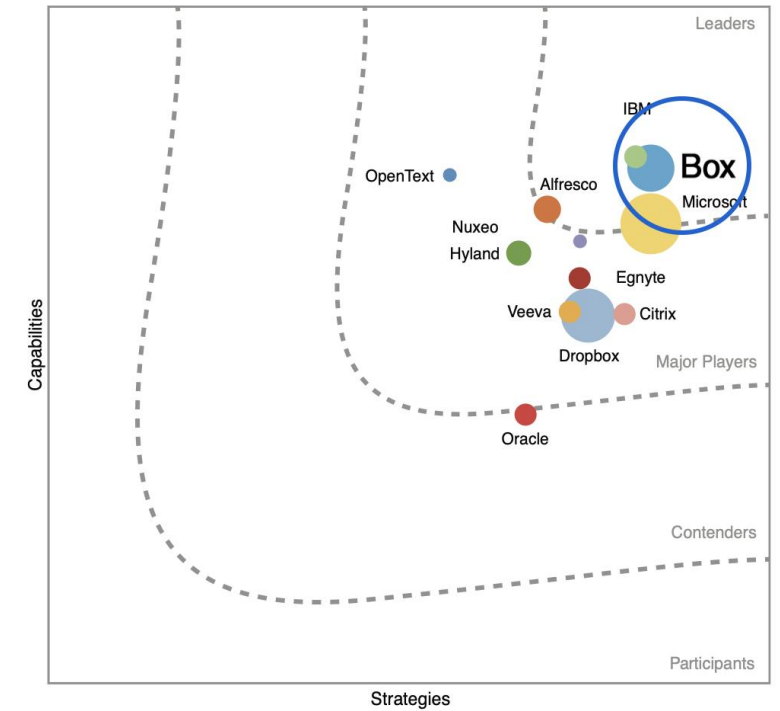
Gartner



FORRESTER®



IDC



# Winning in CCM by delivering a unique platform and business model



Deliver exceptional usability for end users and IT at a highly affordable TCO



Focused on solving net-new business challenges around secure, internal/external collaboration



Open platform and ecosystem integrated into every major cloud (O365, Salesforce, Slack, etc.)



Take share of new workloads - relegate legacy systems to maintenance mode



**Frictionless  
security and  
compliance**



**Seamless internal/  
external collaboration  
and workflow**

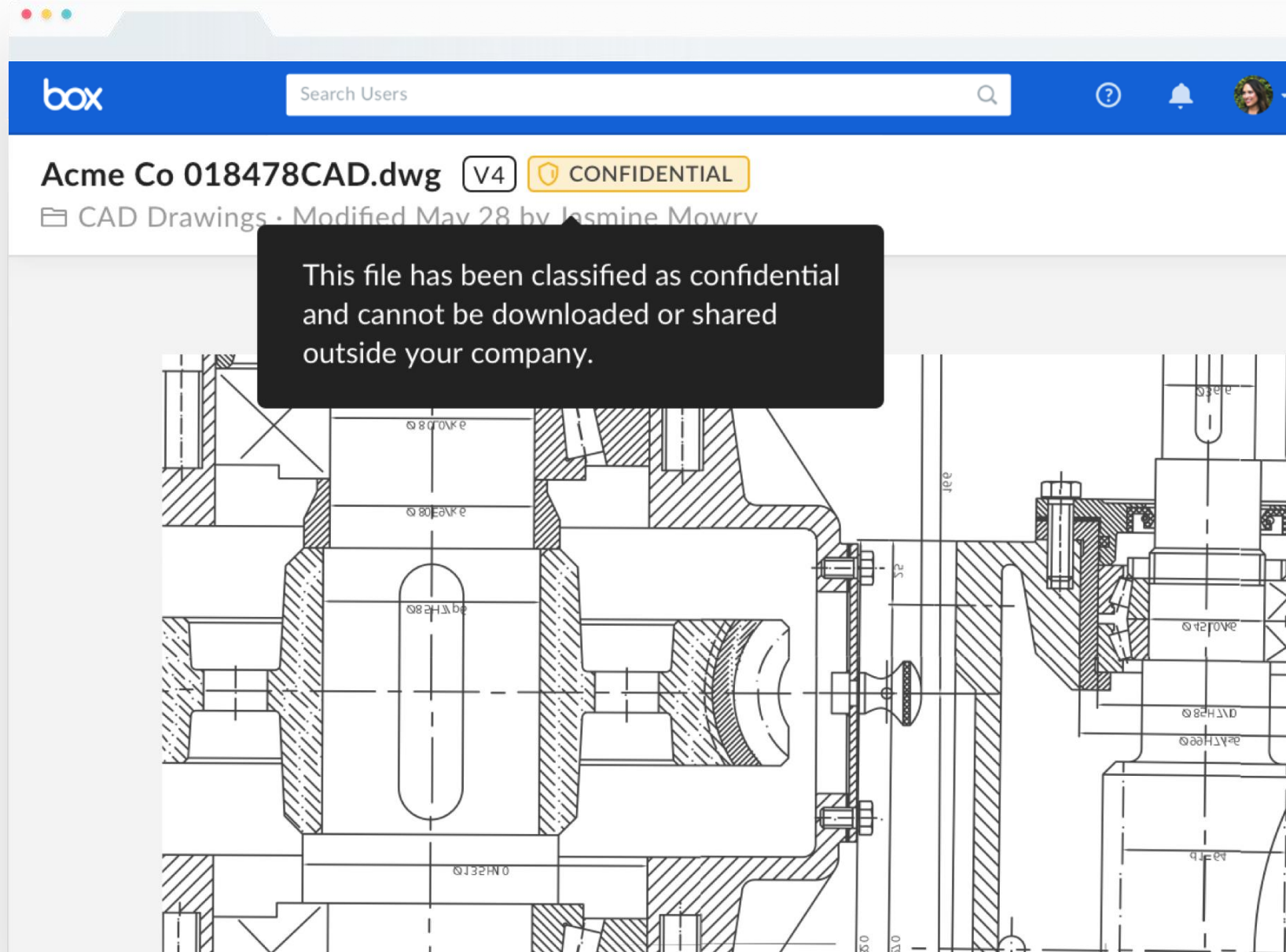


**Integrated  
with all your  
applications**





- Detect content-centric threats based on user behavior
- Classify content for compliance and security requirements
- Discover content access from risky locations and users





- No-code workflow builder for content-driven business processes
- Supports internal and external users
- Secure and compliant for every industry

Quarterly Sales Enablement

Last Modified Oct 28, 2018 by Varun Parmar

Quarterly Sales Enablement

Quarterly process to update the sales organization with the information, content, and tools that help sales people sell more effectively.

Flow 1

Trigger

Upload the Quarterly Sales Deck

Outcome 1

Review and update team sections

Outcome 2

Director approval

Andrew Dunn, Sarah Yau

Please review and approve the sales t...

3 days to complete

Quarterly Sales Enablement Deck

Outcome 3

Apply metadata labels

Outcome 4

Publish deck to the sales portal

Add a step

Outcome 2

Director approval

What is the next action? ⓘ

A File Action

A Folder Action

Add Metadata

Assign A Task

What type of task would you like to assign?

Approval Task

General Task

What are the task details?

Assignee(s)

Andrew Dunn ×

Sarah Yau ×

☒ Require all assignees to complete the task

Message

Please approve the sales training deck and update your respective sections. Thank you.

# Box Suites

Bundle the best of Box together for the fastest path to becoming a digital business

## Digital Workplace

Transform your workplace with seamless, secure collaboration, and lifecycle governance

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Enterprise Edition



Shield



Governance



Premier Services

## Digital Business

Accelerate workflows across the extended enterprise to drive business processes

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Enterprise Edition



Shield



Governance



Relay






Platform



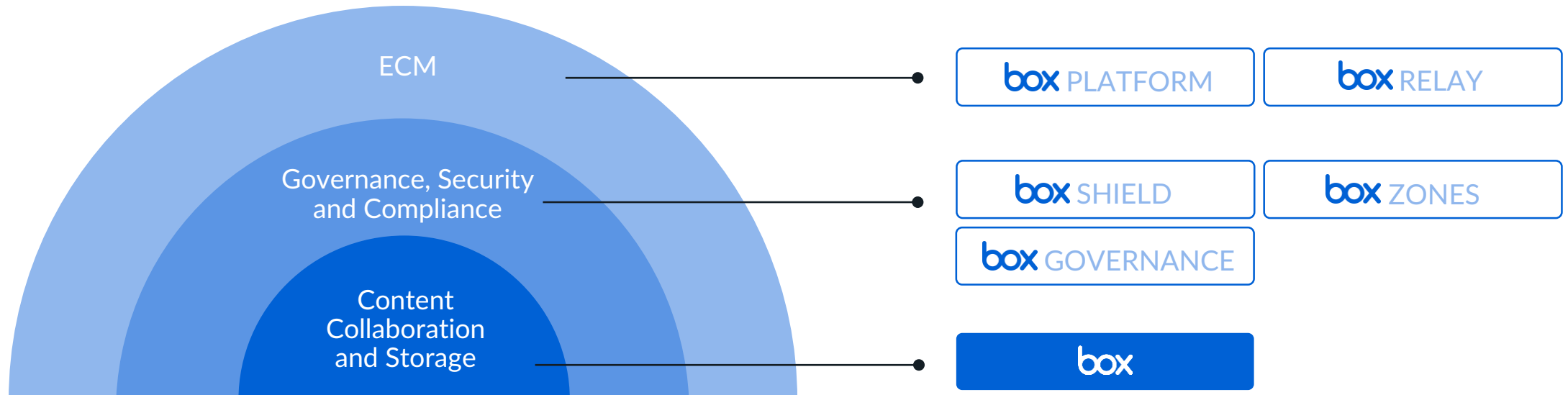
Premier Services

# Evolving how our customer base leverages Box

	Individual productivity	Team collaboration	Collaborative business process	Intelligent business process
 Content	Individual file storage	Team and project workspaces	Content management to drive high-value processes	Integrated platform to power enterprise processes
 Process	File access and sharing	Internal and external team collaboration	Internal and external collaborative workflows	Intelligent workflow automation
 Security and data protection	Secure storage	Centralized security and governance	Seamless lifecycle management	Proactive security and classification

Business value

# Expanding our product to address the \$45B+ CCM Market







Simplify how you work

# Capitalizing on our CCM opportunity: Driving scalable growth



Mark Wayland

Chief Revenue Officer  
Box

# Why I joined Box



The market opportunity and  
upside potential



Box's leadership position and  
ability to define a category



Amazing people and culture



Strong foundation in place to  
build and scale from

# Top priorities

Customer expansion

Volume and velocity

Sales productivity

# Customer expansion

Customer Expansion is the backbone of a land and expand SaaS business

FY21 target

>106%

Improving net retention

- Re-sell motion into every customer, re-educating on CCM
- Leveraging Suites to deliver higher-value use-cases
- Aligning the entire GTM team on account value

# Volume and velocity

Creating a repeatable and predictable revenue engine

FY21 target

30%  
\$100K+

growth

- Emphasis on repeatable \$100K+ deals that grow large accounts
- Repeatable use-cases featuring our three key differentiators
- Focus on monthly performance and linearity

# Sales productivity

Improving productivity is critical to our success

FY21 target

**15%**

productivity increase

- Higher volume and velocity deals and customer expansion
- Targeted sales enablement efforts to get reps ramped quickly
- Leader training on onboarding, coaching, and driving performance
- Heightened performance management and updated role rubric



Simplify how you work

# Capitalizing on our CCM Opportunity: Driving Profitable Growth



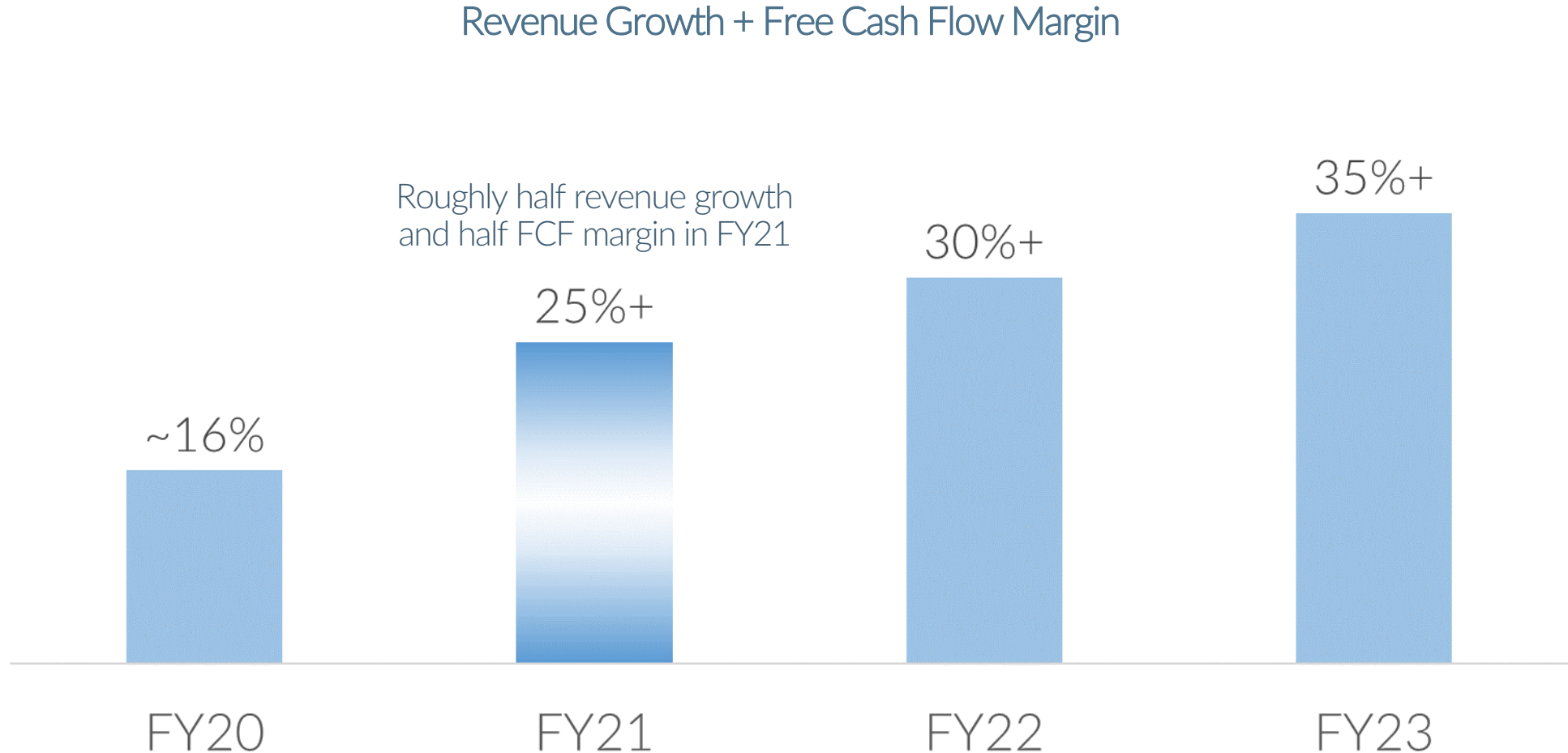


Dylan Smith

CFO & Co-Founder  
Box

# Driving Significant Improvements in our Business Model

Targeting revenue growth + FCF margin improvement from ~16% to 35%+ over 3 years



# Capitalizing on our CCM Opportunity to Drive Profitable Growth

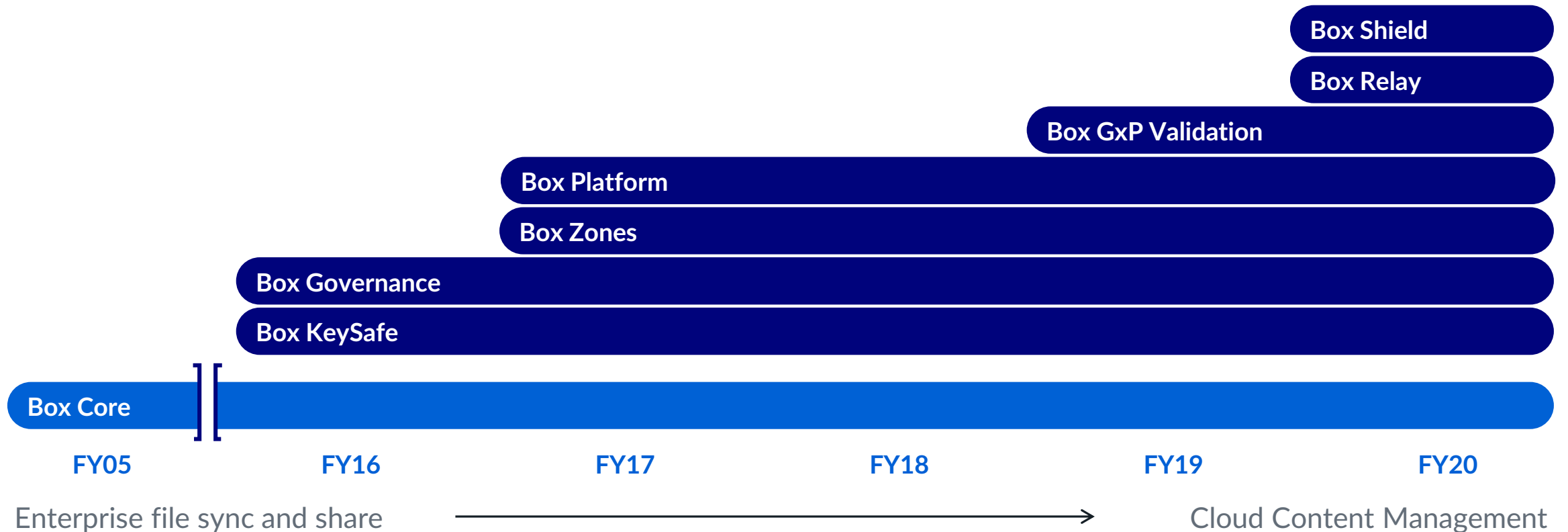
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Powerful CCM product enhancements enable frictionless security, collaboration, and workflow
- **Drive broader adoption of CCM product portfolio through focus on customer expansion and renewals**  
Leads to larger deals, stickier use cases, and higher gross margin
- **Build on recent go-to-market changes to improve productivity and efficiency**  
Focused on standardization, simplification, and consistent execution globally
- **Deliver significant margin expansion in FY21 and beyond**  
Drive profitable revenue growth + FCF margin of 35%+

# Capitalizing on our CCM Opportunity to Drive Profitable Growth

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# Product Portfolio Now Supports Our End-to-End CCM Vision

FY20 has been strongest year of new product releases to date with Relay & Shield






# Suites Simplify our Go-to-Market Motion

New packages provide comprehensive solutions for our customers

## Digital Workplace

Transform your workplace with seamless, secure collaboration, and lifecycle governance







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-  Enterprise Edition
-  Shield
-  Governance
-  Premier Services

## Digital Business

Transform your workplace with seamless, secure collaboration, and lifecycle governance

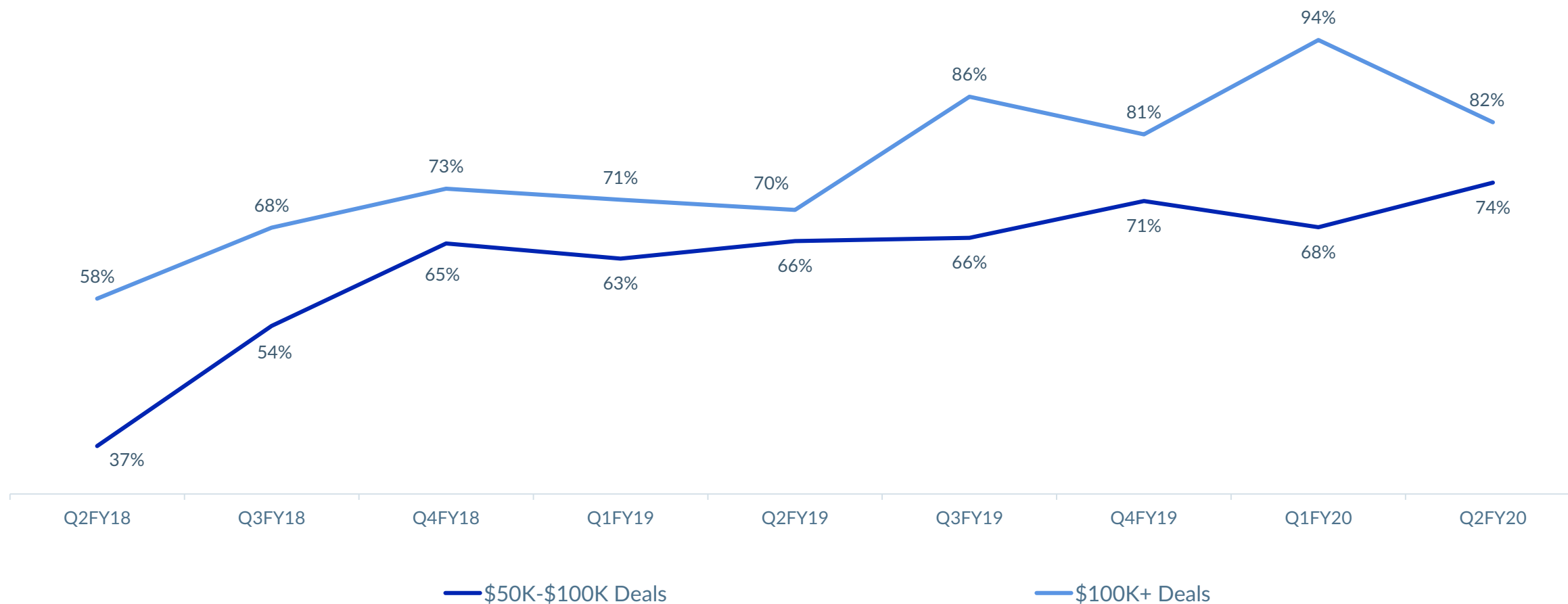
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-  Enterprise Edition
-  Shield
-  Governance
-  Relay
-  Platform
-  Premier Services

# New Products Demonstrating Momentum in Large Deals

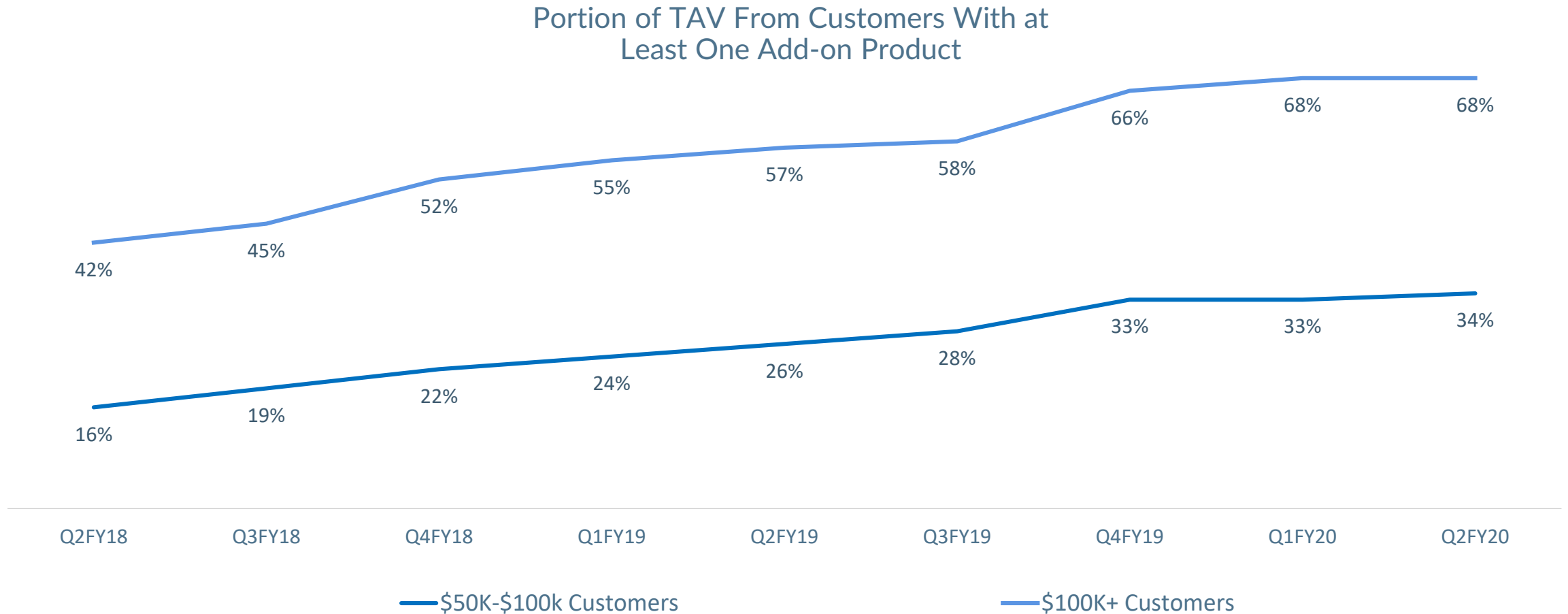
Add-on products contributed ~28% of new bookings YTD

Add-on Product Attach Rates



# Greater Uptake of Add-on Products Within Large Customers

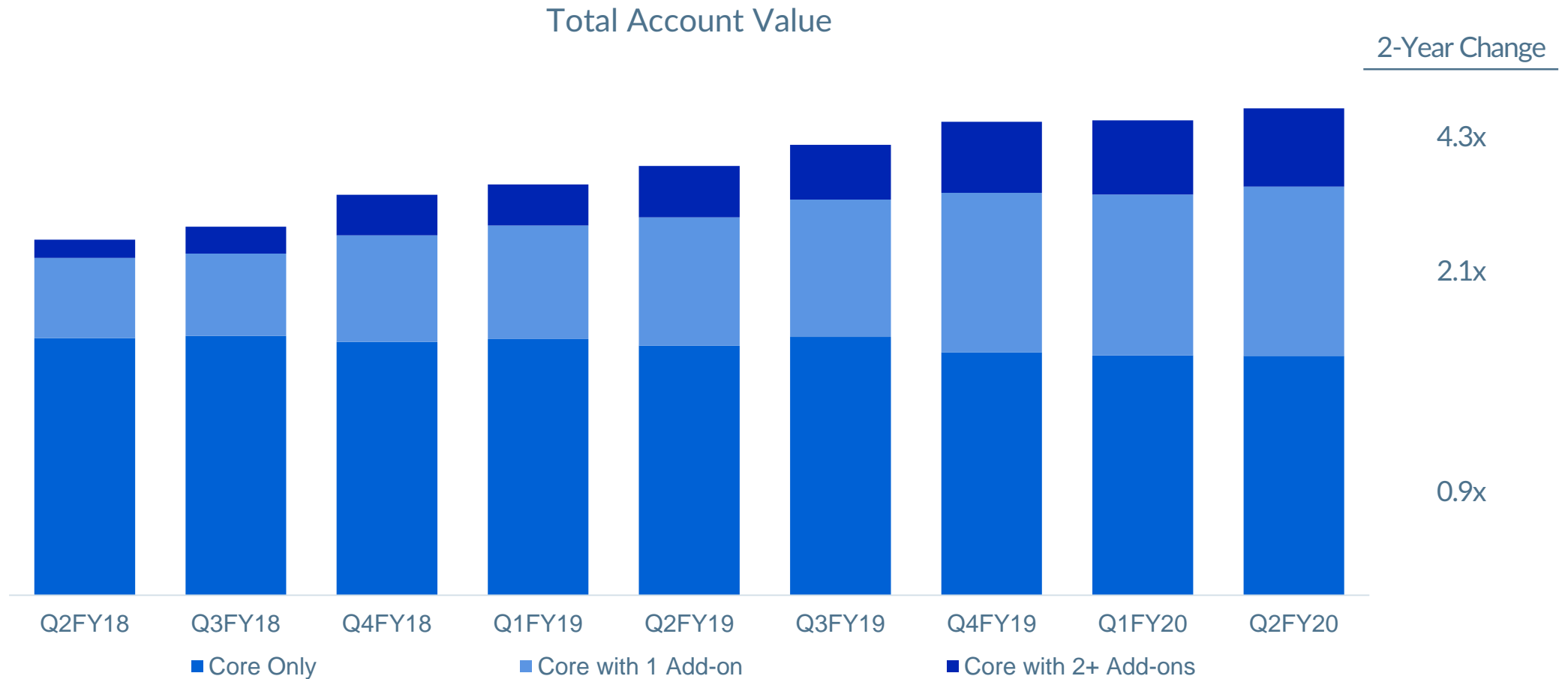
More than 2/3 of revenue from \$100K+ customers includes at least one add-on product





# Customers Now Adopting More Advanced Product Capabilities

Suites, Relay, and Shield should accelerate momentum

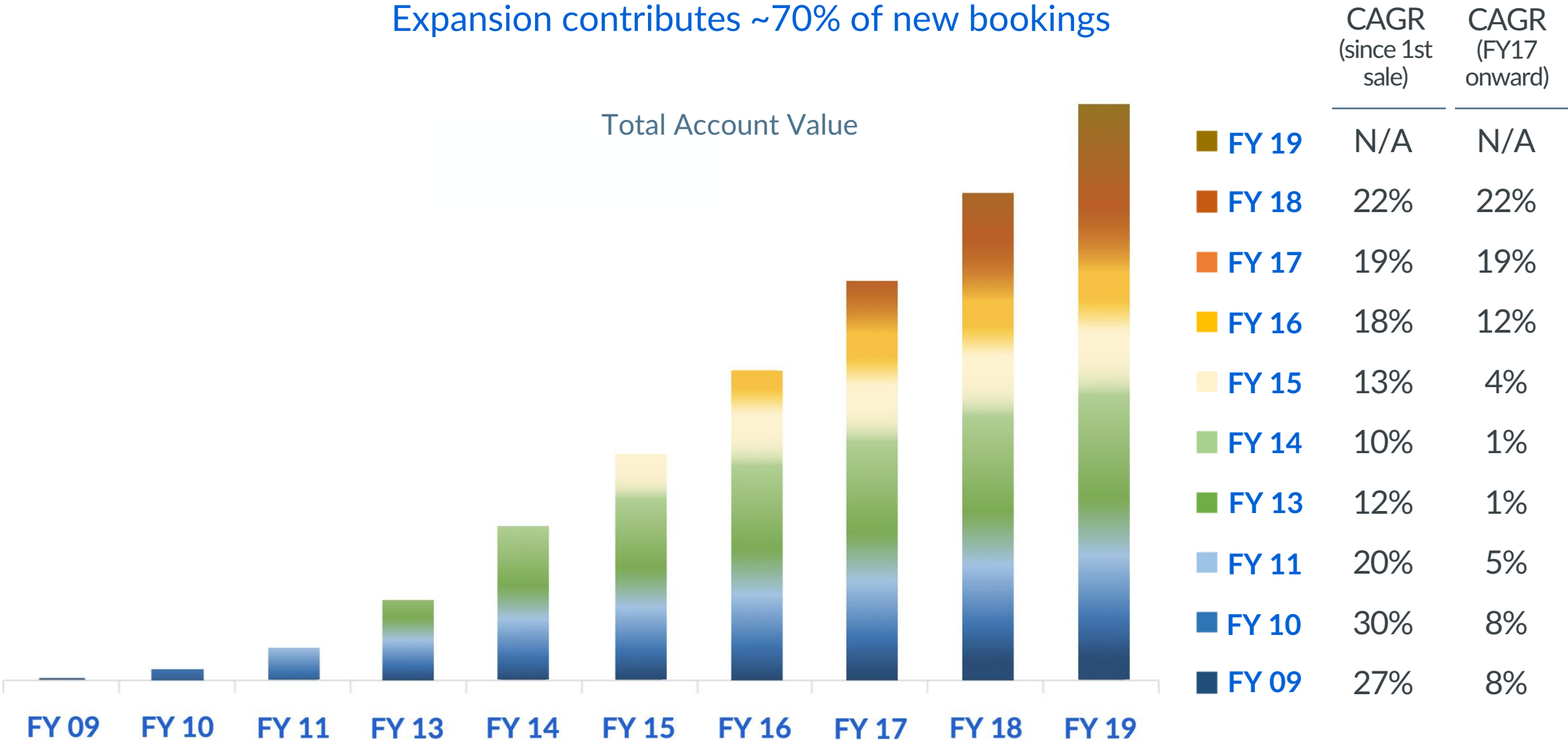


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# Customer Expansion Powers our Underlying Growth Engine

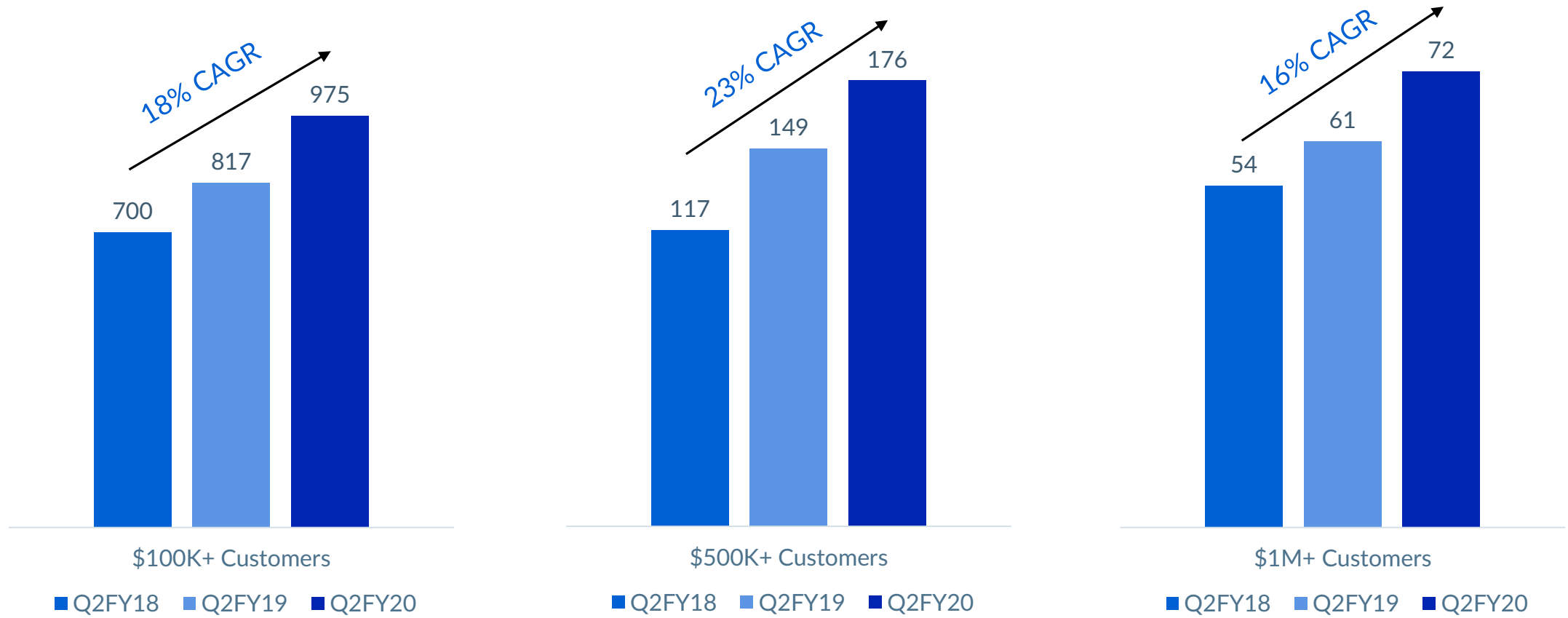
Expansion contributes ~70% of new bookings



Note: CAGR since 1<sup>st</sup> sale through end of FY19; Other data as of FY20 H1 Excludes FY12 since it only consisted of Jan 2012 as Box transitioned its fiscal calendar

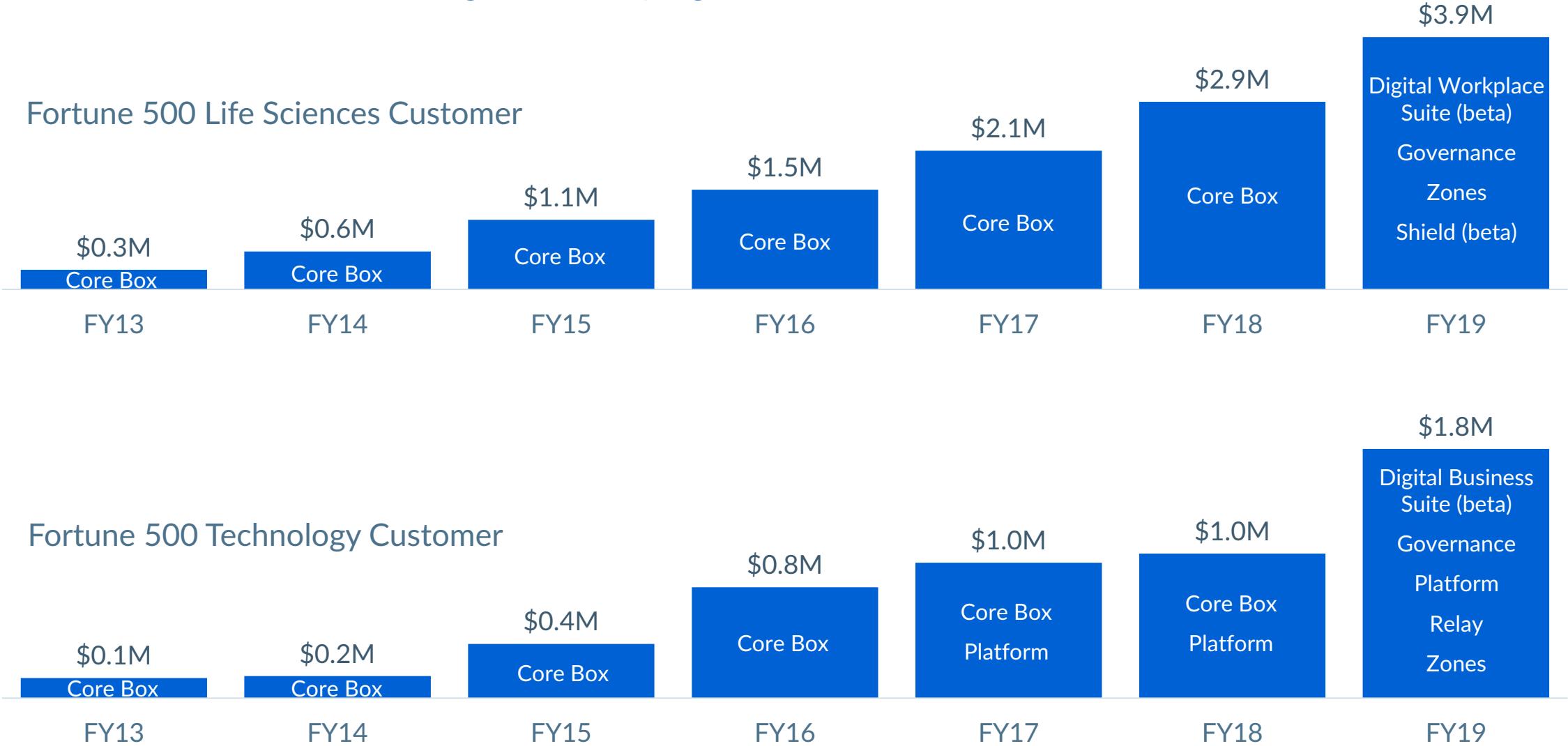
# Expansion Fuels Consistent Growth in Large Customers

\$1M+ customers have grown in both count and ACV by 35% over past 2 years



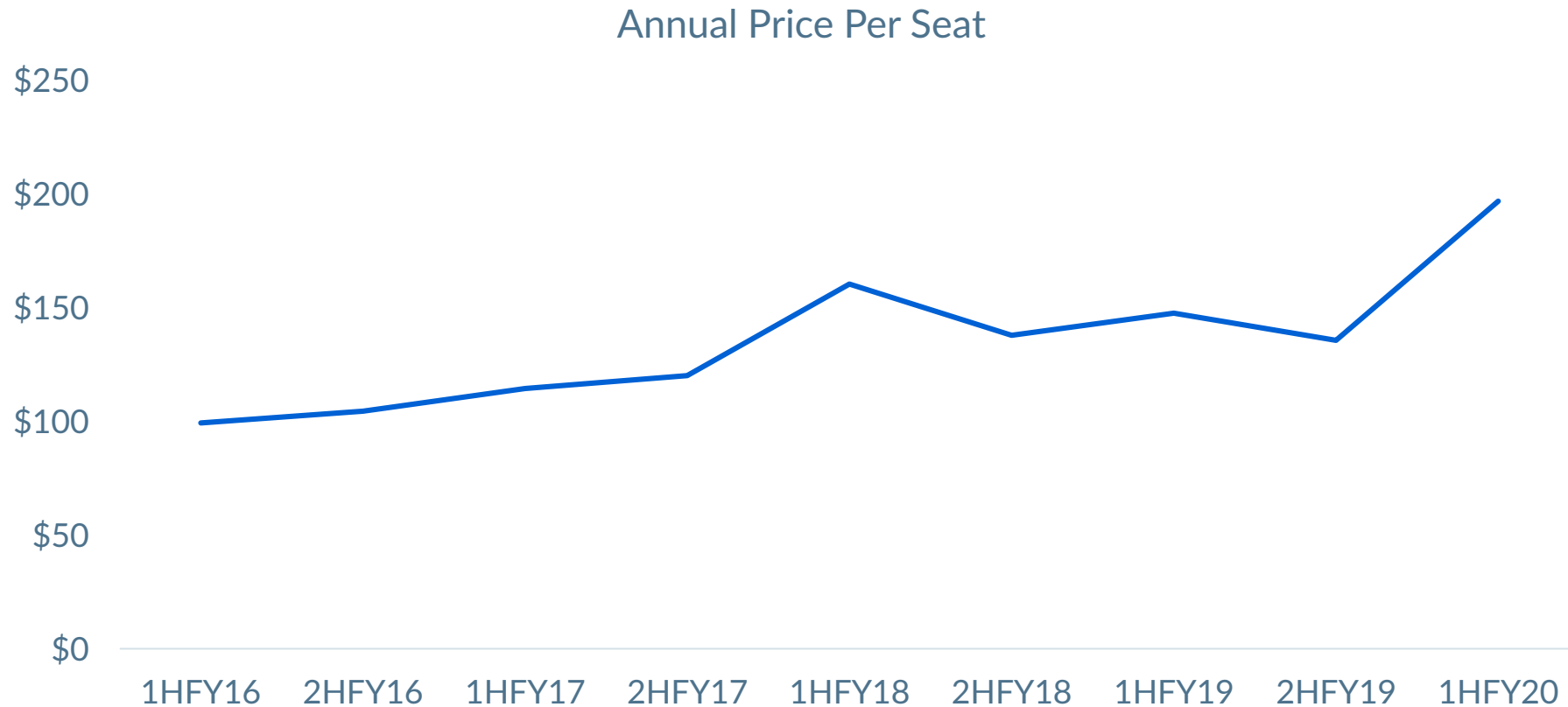
# Suites Catalyze Higher Value Customer Conversations

Increasing and clarifying Box's differentiation and value



# Solution Sales Command Higher Pricing

Price per seat improving despite volume discounting



# Customers with Add-ons Deliver Better Customer Economics

CCM product adoption significantly improves contract values, net retention, and gross margin

	Core only	1 Add-On	2+ Add-Ons
<b>Total Account Value</b>	~\$290M	~\$195M	~\$90M
<b>Average Customer ARR</b>	~\$30K	~\$110K	~\$510K
<b>Net Retention %</b>	~95%	~115%	~125%
<b>Gross Margin %</b>	~70%	80%+	80%+

# Capitalizing on our CCM Opportunity to Drive Profitable Growth

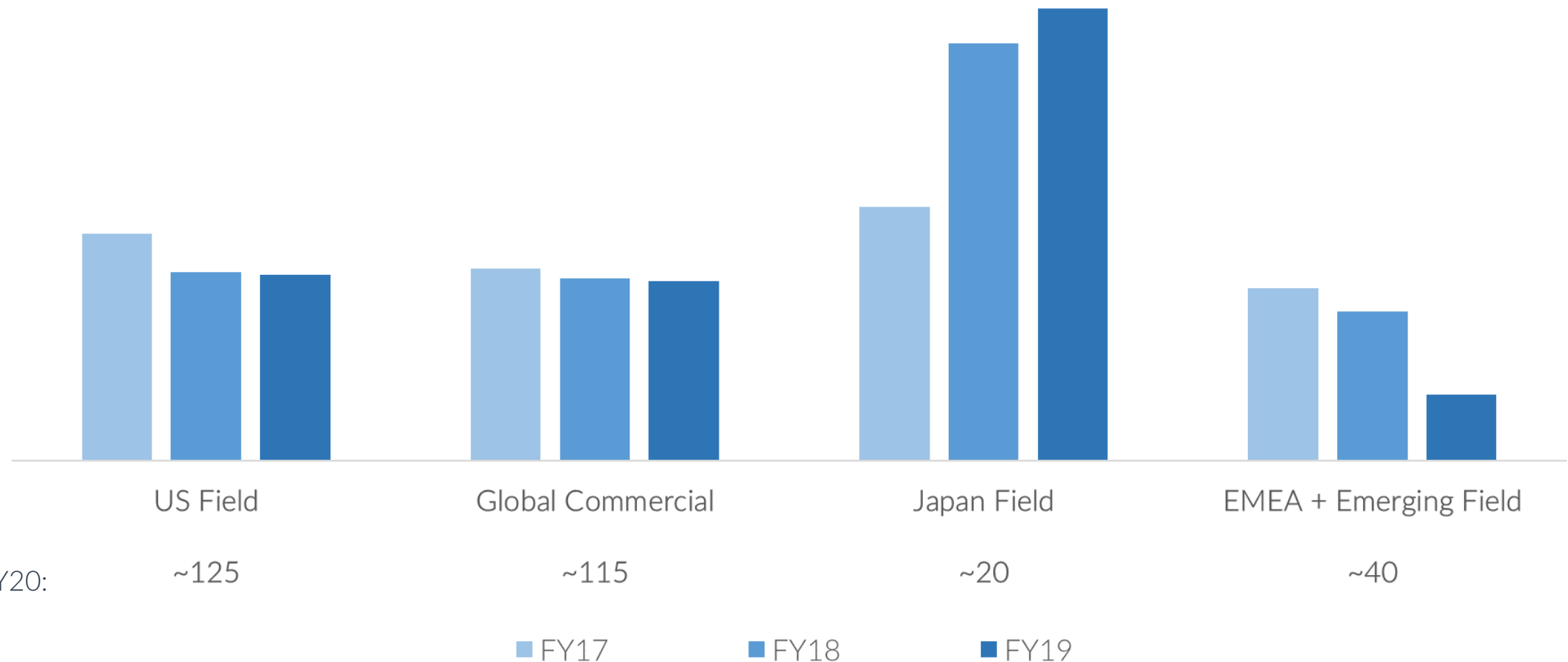
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# Focused on Rapidly Improving Sales Productivity

Expect 15% improvement via more consistent execution and capacity increases in current team

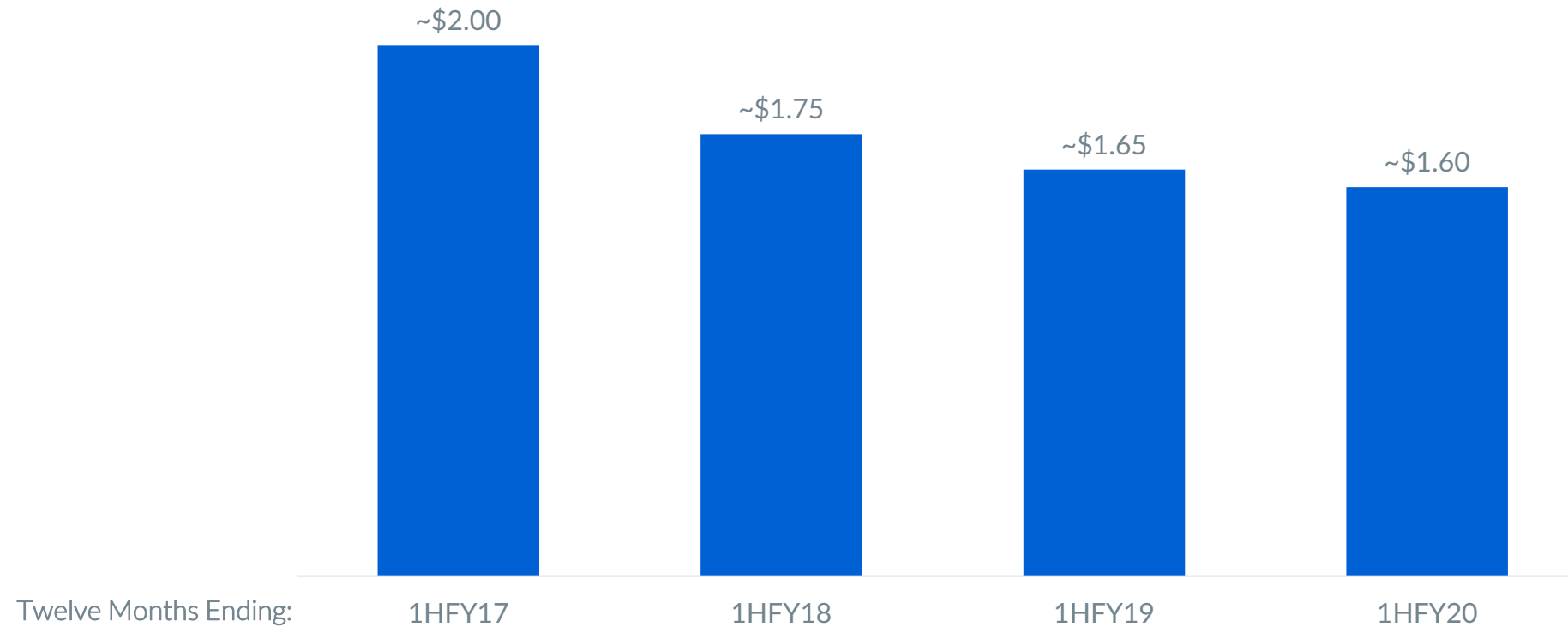
Bookings per Quota-Carrying Sales Rep



# Steadily Lowering Customer Acquisition Costs

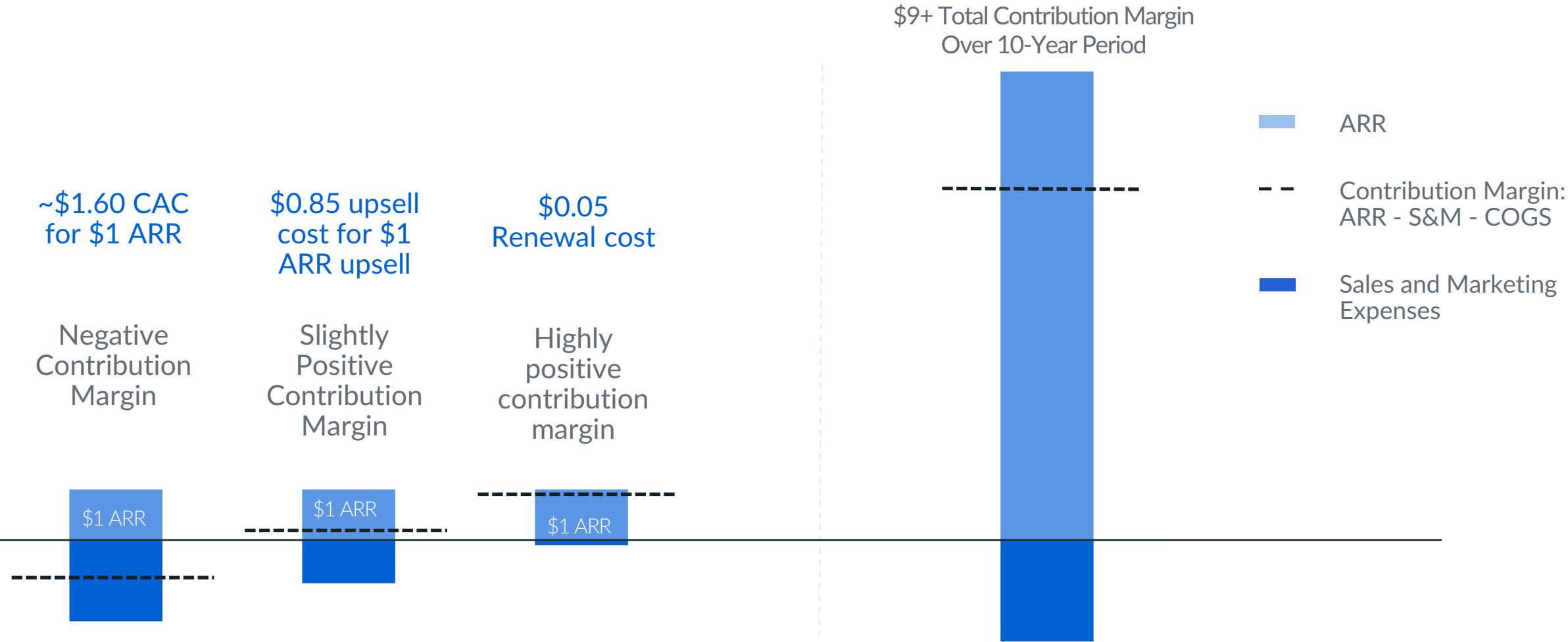
Numerous go-to-market levers to drive greater efficiency

Cost to Acquire \$1 of New ARR



# Building on our Inherent Business Model Leverage

\$1 of bookings results in >\$9 of contribution margin over 10 years



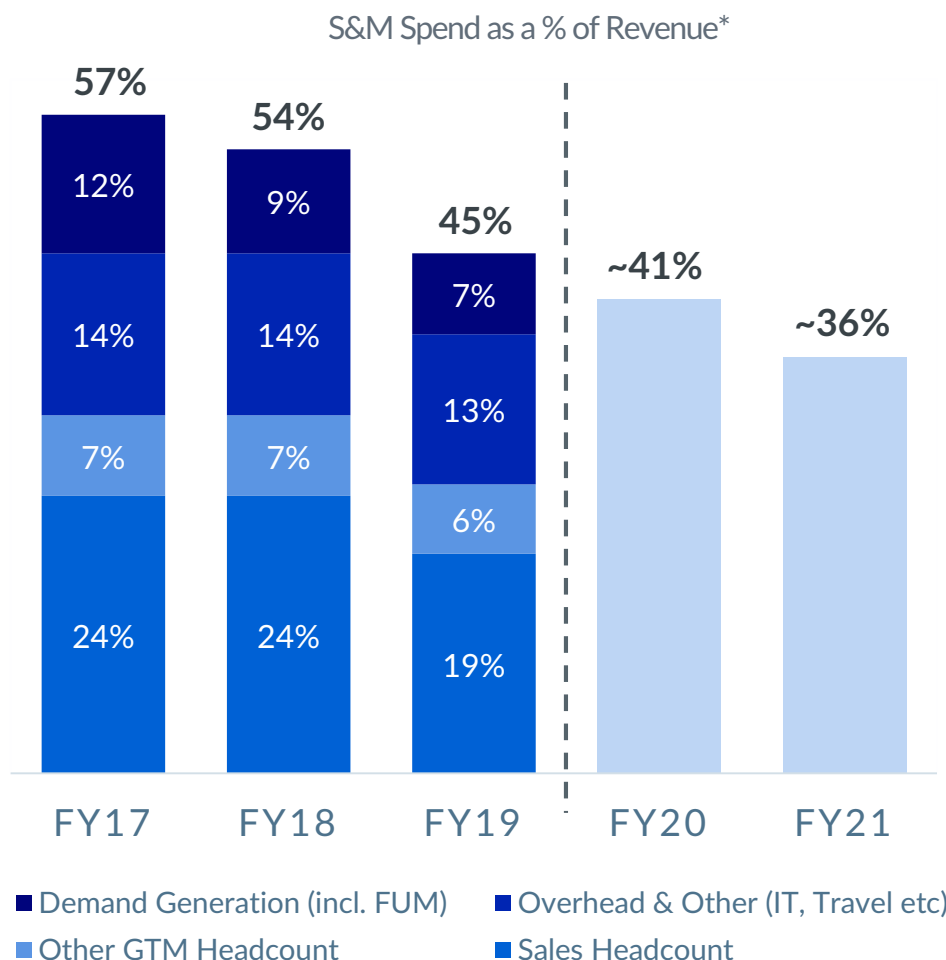
Note: This slide is for illustrative purposes only and is not intended to represent Box's expectations regarding future ARR growth.

# Capitalizing on our CCM Opportunity to Drive Profitable Growth

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# Improving Go-to-Market Efficiencies With More to Come

Sales & marketing spend is our primary lever for margin improvement



## Sales Productivity

- Launched expanded CCM product portfolio to grow ACV
- Simplifying sales motion via Suites and more repeatable use cases
- Reducing expenses in underperforming areas

## Go-to-Market Efficiency

- Generating higher ROI on marketing spend
- Streamlining sales overlays

## Inherent Business Model Leverage

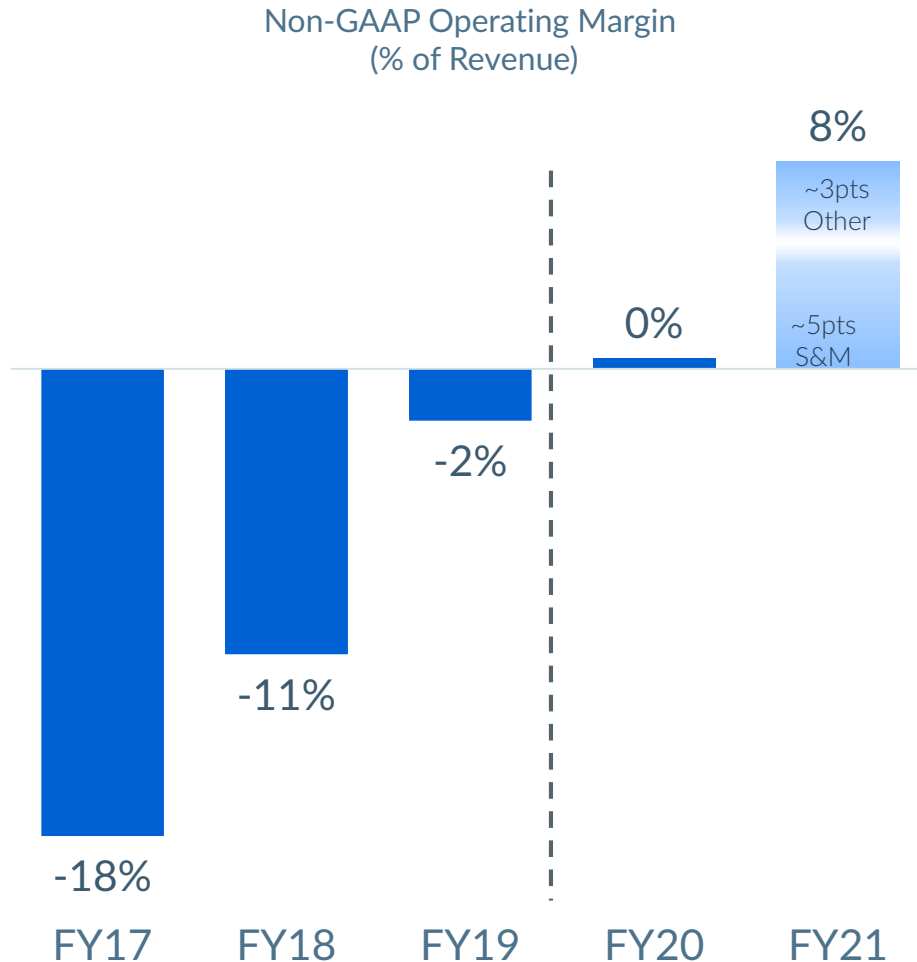
- Customer expansion and renewals are more efficient sales
- Average AE tenure increases as we moderate salesforce growth

\* 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.

Note: Sales and marketing expenses by type as a percentage of revenue are presented on a non-GAAP basis, which exclude stock-based compensation and intangible assets amortization.

# Optimizing Costs to Accelerate Margin Expansion in FY21

Disciplined efforts across the business to reduce underlying cost structure



## Workforce Strategy

- Headcount expenses will remain roughly flat YoY
- Leveraging lower cost regions to drive savings

## Gross Margin Improvements

- Completing data center migration mid-FY21 to eliminate dual costs
- Driving higher margins via add-on product sales
- Optimizing infrastructure (e.g. public cloud, search, cold storage)

## Operational Rigor Drives Cost Reductions

- Reducing spend in areas not supporting growth
- Benefitting from investments in system automation
- Focusing on ROI and customer needs for new product development

# Driving Significant Margin Expansion While Building CCM Momentum

Committed to delivering revenue growth + FCF margin of 35%+ over 3 years

	FY18*	FY19	FY20 (Guidance)		FY23 Target Model
Revenue Growth	27%	20%	14%		12-18%
Revenue Growth + FCF Margin	28%	22%	~16%		35%+
Gross Margin	75%	74%	70-71%		~75%
S&M as a % of revenue	54%	45%	41%		30-33%
R&D as a % of revenue	20%	19%	19%		17-18%
G&A as a % of revenue	13%	11%	10%		8-9%
Operating Margin	(11%)	(2%)	0%		15-20%



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 fiscal year 2019 reflect the application of ASC 606 while the reported results for fiscal year 2018 is not adjusted and continue to be reported under the prior revenue recognition standard ASC 605.

Box adopted ASU 2016-18, Restricted Cash, beginning with its fiscal year 2019. The reported results for all periods presented reflect the application of ASU 2016-18.

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

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# Executive Q&A



Jeetu Patel  
Chief Product Officer



Aaron Levie  
CEO & Co-Founder



Dylan Smith  
CFO & Co-Founder



Mark Wayland  
Chief Revenue Officer



Stephanie Carullo  
Chief Operating Officer

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Thank you



# Appendix

# GAAP to Non-GAAP Reconciliation – Free Cash Flow\*

<i>(\$ in thousands)</i>	<b>FY17**</b>	<i>As a % of revenue</i>	<b>FY18**</b>	<i>As a % of revenue</i>	<b>FY19***</b>	<i>As a % of revenue</i>	<b>1H'FY20***</b>	<i>As a % of revenue</i>
<b>Net cash (used in) provided by operating activities</b>	<b>(\$2,389)</b>	<b>(1%)</b>	<b>\$35,391</b>	<b>7%</b>	<b>\$55,321</b>	<b>9%</b>	<b>\$20,806</b>	<b>6%</b>
Less: purchases of property and equipment	(14,956)		(11,822)		(14,808)		(3,166)	
Less: payments of capital lease obligations	(8,675)		(16,052)		(23,930)		(19,145)	
Less: capitalized internal-use software costs	-		-		(2,761)		(4,013)	
<b>Free cash flow</b>	<b>(\$26,020)</b>	<b>(7%)</b>	<b>\$7,517</b>	<b>1%</b>	<b>\$13,822</b>	<b>2%</b>	<b>(\$5,518)</b>	<b>(2%)</b>

\* Box adopted ASU 2016-18, Restricted Cash, beginning with its fiscal year 2019. The reported results for all periods presented reflect the application of ASU 2016-18

\*\* As reported under ASC 605

\*\*\* As reported under ASC 606

# GAAP to Non-GAAP Reconciliation – Gross Margin

<i>(\$ in thousands)</i>	<b>FY17*</b>	<i>As a % of revenue</i>	<b>FY18*</b>	<i>As a % of revenue</i>	<b>FY19**</b>	<i>As a % of revenue</i>	<b>1H'FY20**</b>	<i>As a % of revenue</i>
<b>GAAP gross margin</b>	<b>\$286,475</b>	<b>72%</b>	<b>\$370,894</b>	<b>73%</b>	<b>\$434,792</b>	<b>71%</b>	<b>\$232,967</b>	<b>69%</b>
Add: stock-based compensation	7,882		10,742		14,065		7,971	
Add: intangible assets amortization	3,197		365		-		-	
<b>Non-GAAP gross margin</b>	<b>\$297,554</b>	<b>75%</b>	<b>\$382,001</b>	<b>75%</b>	<b>\$448,857</b>	<b>74%</b>	<b>\$240,938</b>	<b>72%</b>

\* As reported under ASC 605

\*\* As reported under ASC 606

# GAAP to Non-GAAP Reconciliation – Operating Expenses

<i>(\$ in thousands)</i>	<b>FY17*</b>	<b>As a % of revenue</b>	<b>FY18*</b>	<b>As a % of revenue</b>	<b>FY19**</b>	<b>As a % of revenue</b>	<b>1H'FY20**</b>	<b>As a % of revenue</b>
<b>GAAP research and development</b>	<b>\$115,928</b>	<b>29%</b>	<b>\$136,791</b>	<b>27%</b>	<b>\$163,750</b>	<b>27%</b>	<b>\$95,937</b>	<b>29%</b>
Less: stock-based compensation	(30,796)		(37,733)		(45,189)		(28,225)	
<b>Non-GAAP research and development</b>	<b>\$85,132</b>	<b>21%</b>	<b>\$99,058</b>	<b>20%</b>	<b>\$118,561</b>	<b>19%</b>	<b>\$67,712</b>	<b>20%</b>
<b>GAAP sales and marketing</b>	<b>\$253,020</b>	<b>63%</b>	<b>\$303,319</b>	<b>60%</b>	<b>\$312,210</b>	<b>51%</b>	<b>\$159,225</b>	<b>47%</b>
Less: stock-based compensation	(26,142)		(31,742)		(36,864)		(19,394)	
Less: intangible assets amortization	-		-		(9)		-	
<b>Non-GAAP sales and marketing</b>	<b>\$226,878</b>	<b>57%</b>	<b>\$271,577</b>	<b>54%</b>	<b>\$275,337</b>	<b>45%</b>	<b>\$139,831</b>	<b>42%</b>
<b>GAAP general and administrative</b>	<b>\$68,182</b>	<b>17%</b>	<b>\$84,805</b>	<b>17%</b>	<b>\$93,069</b>	<b>15%</b>	<b>\$49,463</b>	<b>15%</b>
Less: stock-based compensation	(13,552)		(17,268)		(23,178)		(13,577)	
Less: intangible assets amortization	(155)		(154)		(15)		-	
Less: expenses related to a legal verdict	1,664		-		-		-	
<b>Non-GAAP general and administrative</b>	<b>\$56,139</b>	<b>14%</b>	<b>\$67,383</b>	<b>13%</b>	<b>\$69,876</b>	<b>11%</b>	<b>\$35,886</b>	<b>11%</b>

\* As reported under ASC 605

\*\* As reported under ASC 606

# GAAP to Non-GAAP Reconciliation – Operating Margin

<i>(\$ in thousands)</i>	<b>FY17*</b>	<i>As a % of revenue</i>	<b>FY18*</b>	<i>As a % of revenue</i>	<b>FY19**</b>	<i>As a % of revenue</i>	<b>1H'FY20**</b>	<i>As a % of revenue</i>
<b>GAAP operating margin</b>	(\$150,655)	(38%)	(\$154,021)	(30%)	(\$134,237)	(22%)	(\$71,658)	(21%)
Add: stock-based compensation	78,372		97,485		119,296		69,167	
Add: intangible assets amortization	3,352		519		24		-	
Add: expenses related to a legal verdict	(1,664)		-		-		-	
<b>Non-GAAP operating margin</b>	(\$70,595)	(18%)	(\$56,017)	(11%)	(\$14,917)	(2%)	(\$2,491)	(1%)

\* As reported under ASC 605

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