Box Investor Webcast:Product Strategy Overview

Aaron Levie, CEO and Co-founder
October 6, 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, 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, its net retention rate, 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.

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; and (9) 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 July 31, 2021.

You should not rely on any forward-looking statements, and we assume no obligation, nor do we intend, to update them. Unless otherwise provided in this presentation, all information in this presentation is as of October 6, 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.
Box is at an inflection point for growth and profitability

- We are going after a large ~$55B+ market opportunity, with significant tailwinds.
- We are building the leading Content Cloud that powers critical workflows across the enterprise.
- We will go wider and deeper with our 100K+ customers through our land and expand motion.
- We are committed to driving significantly higher growth and operating margins to achieve Rule of 40 by FY24.
We are going after a large ~$55B+ market opportunity, with significant tailwinds.

We are building the leading Content Cloud that powers critical workflows across the enterprise.

We will go wider and deeper with our 100K+ customers through our land and expand motion.

We are committed to driving significantly higher growth and operating margins to achieve Rule of 40 by FY24.
We started Box in 2005 with a mission to power how the world works together
67% Fortune 500

100K+ Customers
Three megatrends are shaping the future of work

**Work anywhere**
Work happens anywhere, anytime, from any app or device

**Digital-first**
Every customer, partner, and employee interaction is digital

**Secure**
Ransomware, cybersecurity threats, and compliance challenges increasing
Connect teams around the world to speed up research and deliver breakthroughs faster.
Financial services

Simplify onboarding and collaboration to delight customers
Media & entertainment
Streamline production and deliver amazing experiences to the world
Content is your business
We need a new approach to content in the cloud

On-prem file servers
Centralized network storage

1990s

Enterprise content management
Lifecycle governance designed for admins, not end users

2000s

Enterprise file sync and share
Easy access and sharing designed for individual consumers

2010s

Cloud content management
One secure platform for the entire content journey, integrated into all your apps

Today
Today, the content lifecycle is fragmented across systems

- **Publishing**
  - Adobe
  - Showpad

- **eSignature**
  - DocuSign
  - Adobe Sign

- **Collaboration**
  - Notion
  - Miro

- **Security**
  - Symantec
  - Skyhigh

- **Content Management**
  - SharePoint
  - OpenText

- **File Storage**
  - NetApp
  - EMC

- **Issues**
  - Fragmented content leads to major security and compliance risks
  - Users left with complicated IT stack driving down productivity and slowing critical workflows
  - Enterprises spending on redundant technology driving up IT costs
The Box Content Cloud powers the entire content lifecycle in a single integrated platform.
Our expanded product portfolio addresses a ~$55B+ market

- **$23B**
  - Network storage

- **$6B**
  - ECM

- **$11B**
  - Data security and risk mgmt

- **$15B**
  - Content sharing and collaboration
  - Team collaboration

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(1) IDC, Worldwide ECM and CSC Market Forecast (2019), projected to 2023
(2) IDC, Team Collaboration Market Forecast (2019), projected to 2023
(3) IDC, Worldwide File-based Storage Market Forecast (2015), projected to 2019
(4) Statista, Size of worldwide Cyber Security Market (2019), projected to 2023
IDC, Worldwide GRC Software Market Forecast (2019), projected to 2023
Box Sign further expands our TAM

1/3 companies surveyed have adopted e-signature

Source: IDC TechBrief: eSignature Software; May 2020

Potential market of manual, paper-based signatures

$3.8B E-signature (2024)*

$1.4B E-signature (today)*

* Source: IDC Worldwide eSignature Software Forecast, 2020–2024; Aug 2020
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Box powers critical workflows across the enterprise
Empower your people
Seamless collaboration and workflow

Protect your content
Frictionless security and compliance

Connect your business
Integrated with all your applications
Helping customers complete the content journey
Protect

Malware Detection
Anomalous Download Behavior

Priority: High
Risk Score: 100

Target User: Courtney Omar (comar@acme.com)

Threat Details:

Malware Type(s): Worm, AdWare
Detection Tag(s): Malicious Macro, Remove Executable
Threat Name: Trojan.Win32.Powerlinks.4!c
File Scanned: Feb 5, 2020 12:39 PM by Mimecast
First Observed: Feb 5, 2020 12:39 PM
Description: An external malicious file execution was detected.
Classification

File Criteria
Optionally specify a subset of file types or file criteria for the policy to be applied.

When a file contains the following conditions:

- Data Type:
  - Credit Card Number
  - U.S. Social Security Number
  - IBAN Code
- Confidence:
  - Low
  - Medium
  - High
- With:
  - Greater than or equal to
- Unique Count:
  - 1

Add Condition

Create Custom Terms
Select InfoTypes

- Canada Bank Account Number
  - Account number that ranges from 7-12 digits.
- Canada Driver’s License Number
  - A driver’s license number for each of the ten provinces in Canada
- Canada Social Security Number
  - Social insurance number (SIN) is the main identifier used for citizens, permanent residents, and people on work or study visas.
Automate
The COVID-19 virus has a long incubation period. You or your healthcare providers may have the virus and not show symptoms and yet still be highly contagious. Determining who is infected by COVID-19 is challenging and complicated due to limited availability of virus testing.

Due to the frequency and timing of visits and the characteristics of dental procedures, being in a dental office.

Dental procedures create water spray and aerosols that can linger in the air for a long time, all of which can infect others through respiratory droplets. The water spray and air currents can carry organisms through the air.

You cannot wear a protective mask over your nose and mouth, and health care providers need access to your teeth and gums. You cannot wear a protective mask over your nose and mouth, and health care providers need access to your teeth and gums.

I confirm that I have read the Notice and Acknowledgment for COVID-19 and understand the risk of not reading and understanding the Notice or not signing the COVID-19 acknowledgment.

I have read and understand the information provided in the Notice and Acknowledgment for COVID-19.

Signatures & Fields

Click a field to drop onto the document...

- **Signature**
- **Date**
- **Text**
- **Checkbox**

Advanced Options
ACME New Hire Handbook

New Hire Checklist
- Attend onboarding training
- Complete I-9 form
- Watch Welcome to ACME new hire video

New Hire Forms
Congratulations! We are so glad that you have joined ACME. In order to get you set up with payroll, benefits, and most importantly swag, we need you to complete and submit the forms below.

Benefits and Open Enrollment
Create a retention policy to retain certain types of content in Box for a specified period of time and remove content from Box that is no longer relevant. Learn more about Retention Policies.

<table>
<thead>
<tr>
<th>Policy Name</th>
<th>Created</th>
<th>Applied To</th>
<th>Time Period</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delta Policy 001</td>
<td>Jan 20, 2020</td>
<td>Folder(s)</td>
<td>30 Years</td>
<td>Active</td>
</tr>
<tr>
<td>Corporate Policy</td>
<td>Dec 31, 2019</td>
<td>Metadata</td>
<td>3 Years</td>
<td>Retired</td>
</tr>
<tr>
<td>Client 60 Day</td>
<td>Nov 14, 2021</td>
<td>Folder(s)</td>
<td>60 Days</td>
<td>Active</td>
</tr>
<tr>
<td>Claims Retention Policy</td>
<td>Sep 27, 2019</td>
<td>Metadata</td>
<td>5 Years</td>
<td>Active</td>
</tr>
</tbody>
</table>
Empower your people
Seamless collaboration and workflow

Protect your content
Frictionless security and compliance

Connect your business
Integrated with all your applications
Empower your people
Seamless collaboration and workflow

Protect your content
Frictionless security and compliance

Connect your business
Integrated with all your applications
Content is critical to digital transformation
Customer challenges with current e-signature solutions

- Content fragmentation
- Security and compliance gaps
- Costly point solutions
Box Sign

- Natively integrated e-signatures
- Secure and compliant
- Included in Box business and enterprise plans*

*feature set may vary by plan
Box Sign
Secure, seamless e-signatures where your content lives

Available tomorrow
U.S. and Canada Business and Enterprise customers
Native e-signatures

- Reusable templates
- Flexible workflows
- Sign on desktop & mobile
Salesforce integration

- Send documents for signature directly from Salesforce
- Auto-populate contracts
- Included in existing Box-Salesforce integration
Box Sign API

- Prepare documents and send signature requests via API
- Automate e-sign processes with webhooks
- SDK support for multiple platforms
Global enhancements

- Verify signers via SMS
- Password-protect documents sent for signature
- Localized UI in 15+ languages
The best is yet to come
Box Relay
Bring flexible workflows to your users, teams, and applications

Director approval
Jennifer Reimer to 2 assignees - 1 min ago

Please review and approve the sales training deck. Once approved the deck will be published to the sales team.

Due Aug 29

Sales Training Deck.pptx

Approve
150K+
Hours saved over a 3-year period, yielding $3.5M in savings

~600
Average number of active workflows in top 20 customers using Relay
Box Relay

- Cascading Workflows
- Custom Workflow Templates
- File Request Custom Branding
- Notification outcomes
- Scheduled workflows
- Workflow ownership transfer
- Workflow trigger API
Box Notes

Real-time collaboration across internal and external teams

New Hire Handbook
Edited 5 mins ago by Eula Jenkins

New Hire Checklist
- Attend onboarding training
- Complete I-9 form
- Watch Welcome to ACME new hire video

New Hire Forms
Congratulations! We are so glad that you have joined ACME. In order to get you set up with payroll, benefits, and most importantly swag, we need you to complete and submit the forms below.

Benefits and Open Enrollment

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Open Enrollment Dates</th>
<th>Benefits Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical</td>
<td>Sept 1 - Oct 15</td>
<td>Abayo Stevens</td>
</tr>
<tr>
<td>Dental</td>
<td>Sept 1 - Oct 15</td>
<td>Nwoye Akachi</td>
</tr>
<tr>
<td>Vision</td>
<td>Sept 1 - Oct 15</td>
<td>Abbie Wilson</td>
</tr>
</tbody>
</table>

Training Material
Welcome to ACME.mov
Design Sprint

Idea Overview
Brainstorm Agenda

What is a Design Sprint?
- A 5-day process for answering critical business questions through design, prototyping, and testing
- It provides teams a shortcut to learning without building and launching
- Every team can run their own sprint! See this guide to start yours

Day 1 - Monday
1. Morning - Agree to a long-term goal and map out the challenges (see this activity)
2. Afternoon - Ask the Experts (jump to list) at your company to share what they know
3. Decide on a target - An ambitious but manageable piece of the problem that you can solve in 1 week

What is a long-term goal?
Ask your team why you are doing this project and where you envision the company being in 6 months, a year, or even 5 years from now.

Ask the Experts

<table>
<thead>
<tr>
<th>Experts</th>
<th>Role</th>
<th>Slot</th>
</tr>
</thead>
</table>

Box Notes
Simplify content
- Organization and navigation
- Table of contents
- Anchor links

Power rich, high-value content creation
- In-line collaborator cursors
- New fonts and styles
- Rich embeds
- Code blocks
- Call-out boxes
- Enhanced table capabilities
Seamless collaboration and workflow

Empower your people

Integrated with all your applications

Frictionless security and compliance

Protect your content

Connect your business

Protected content

Access granted

Contract created

Contract signed

Contract finalized
Box Security
Prevent data breaches and protect against malware attacks
2021 had the highest average cost of a data breach in 17 years

Data breach costs rose from USD 3.86M to USD 4.24M

*Cost of a Data Breach Report, Ponemon Institute, 2021*
Today’s approach to securing content doesn’t work
Traditional security models were not built for the way we work today
The traditional approach to securing content doesn’t work

- Lack inline data leakage prevention
- Introduce friction in user experience
- Lack native response actions and workflows
Businesses need frictionless security to enable hybrid work
Frictionless security designed for the Content Cloud
Smart Access
Built-in Data Leak Prevention (DLP) across file types

Threat Detection
Detect user and content-centric threats

Powered by advanced machine learning
Smart Access
Built-in Data Leak Prevention (DLP) across file types

Threat Detection
Detect user and content-centric threats

Powered by advanced machine learning
Fully integrated with the world’s leading security vendors

- Microsoft
- paloalto networks
- OneTrust
- box TRUST
- zscaler
- vmware
- okta
- BROADCOM
- IBM
- splunk
- netskope
- Google
- sumo logic
288% increase in ransomware attacks between the first and second quarters of 2021

$265B projected ransomware costs by 2031
Announcing new malware deep scan capability natively in Box Shield
Malware detection

- Alert security teams including rich insights
- Automatically restrict download and sync across modalities
- Allow end-users to preview file and edit online
- Ability for admins to override threat verdict
Enhanced detection rules

- Enhancements to ML algorithm
- Improved alert details convey more context on anomalous behavior
Smart Access
Built-in Data Leak Prevention (DLP) across file types

Threat Detection
Detect user and content-centric threats

Powered by advanced machine learning
Native classification options
- Automated for PII
- Automated for custom terms
- Automated by file type
- Folder-level
- Workflow-based (Relay)
- File-level
- Import from MIP
- API

Partner-built classification
- CASB/DLP integrations via API

Classification label
Permissions for changing classification
Native classification options
- Automated for PII
- Automated for custom terms
- Automated by file type
- Folder-level
- Workflow-based (Relay)
- File-level
- Import from MIP
- API

Partner-built classification
- CASB/DLP integrations via API

Classification label
Permissions for changing classification

Security Controls
- Restrict shared links
- Limit external collaboration
- Restrict download across web, mobile, desktop
- Restrict applications and integrations
- Restrict secure FTP
- Restrict print
Auto-classification improvements

- Support for new info types
Auto-classification improvements

- Support for new info types
- File type based classification
Auto-classification improvements

- Support for new info types
- File type based classification
- Support for classifying historical content
Box Shield

Smart Access
Built-in Data Leak Prevention (DLP) across file types

Threat Detection
Detect user and content-centric threats

Powered by advanced machine learning
Seamless collaboration
Empower your people

Frictionless security and compliance
Protect your content

Integrated with all your applications
Connect your business
Box Integrations

Securely connect your content across 1,500+ apps
Box for Slack enhancements

- Upload files to Box via Slack interface
- Unify content across apps
- Maintain security and compliance over content when uploaded via Slack
Box for Zoom

- Browse, preview, and present Box files directly within Zoom
- Apply Box's enterprise-grade security, compliance, and governance to content accessed via Zoom
Box for Salesforce

- Refreshed admin UI
- Faster time to value
- Available in the latest Box for Salesforce app
Box Platform

Extend the Content Cloud with Box APIs and developer tools
We are committed to driving significantly higher growth and operating margins to achieve Rule of 40 by FY24.

We are going after a large ~$55B+ market opportunity, with significant tailwinds.

We are building the leading Content Cloud that powers critical workflows across the enterprise.

We will go wider and deeper with our 100K+ customers through our land and expand motion.

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Introducing Box Enterprise Plus

The full power of the Content Cloud, in one simple package

20TB of content migration included with your plan

Note: Box Zones and Box GxP Validation are available as options for Enterprise Plus
7x seat expansion opportunity within 100K+ customer base

~40X
Digital workers vs business seats sold

~7X
Business seats in install base

1X
Business seats sold

Note: Excludes EDU and includes AMS, Japan, EU, UK, ANZ.
Our GTM strategy is to drive the widest penetration of Box

**Land**
- Drive seat growth by going wider within customers by selling the Box Content Cloud enterprise-wide

**Adopt**
- Drive higher price per seat by going deeper in accounts and powering higher-value use-cases and selling the full product suite to customers

**Expand**
- Improve net retention through broader product adoption and increasing stickiness of the Box platform

**Retain**
Our multi-product strategy is driving customer expansion

Quarterly Net Retention Rate

- Q2 FY21: 106%
- Q3 FY21: 103%
- Q4 FY21: 102%
- Q1 FY22: 103%
- Q2 FY22: 106%

Growth of $100K+ Deals

- 1H FY21: 104
- 1H FY22: 133

Notes: Box fiscal year ends January 31.
Our shift to multi-product plans is working

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

Customers adopting one or more add-on products exhibit ~20 point higher net retention, ~10 point higher gross margin, and ~7X higher average Annual Recurring Revenue than Core-only customers.
Multi-product selling is improving sales productivity

Average Productivity by Rep by Segments

Enterprise

Commercial

Total

Notes: Box fiscal year ends January.
1. Percent improvement based on 2 year period from 1H FY20 to 1H FY22E.
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Revenue growth at scale driven by customer expansion

3Q FY22 revenue guidance up 12% YoY

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Revenue ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2'21</td>
<td>$192</td>
</tr>
<tr>
<td>Q3'21</td>
<td>$196</td>
</tr>
<tr>
<td>Q4'21</td>
<td>$199</td>
</tr>
<tr>
<td>Q1'22</td>
<td>$202</td>
</tr>
<tr>
<td>Q2'22</td>
<td>$214</td>
</tr>
<tr>
<td>Q3'22</td>
<td>$219¹</td>
</tr>
</tbody>
</table>

FY22 revenue guidance up 12% YoY

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Revenue ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY17</td>
<td>$399</td>
</tr>
<tr>
<td>FY18</td>
<td>$506</td>
</tr>
<tr>
<td>FY19</td>
<td>$608</td>
</tr>
<tr>
<td>FY20</td>
<td>$696</td>
</tr>
<tr>
<td>FY21</td>
<td>$771</td>
</tr>
<tr>
<td>FY22</td>
<td>$860¹</td>
</tr>
</tbody>
</table>

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 the Q2 FY22 earnings call on August 25, 2021.
Note: $ values are shown in millions
While optimizing costs to accelerate margin expansion

**Non-GAAP Operating Margin (% of Revenue)**

- FY17: 18%
- FY18: 11%
- FY19: 1%
- FY20: 15%
- FY21: ~19.5%
- FY22E: 19.5%

**Notes:** Box fiscal year ends January.

1. Based on FY22E Non-GAAP operating margin guidance of approximately 19.5% provided on the Q2 FY22 earnings call on August 25, 2021.

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**Workforce Strategy**
- Disciplined in headcount expenses
- Leveraging lower cost regions to drive savings

**Gross Margin Improvements**
- Completed DC migration mid-FY21 to eliminate dual costs
- Driving higher margins via add-on product sales
- Optimizing infrastructure (e.g. public cloud, search, cold storage)

**Increased Operational Rigor**
- Reducing spend in areas not supporting growth
- Benefitting from investments in system automation
- Focusing on highest ROI and TAM for product development
Committed to exceeding growth and profitability targets

Revenue growth + free cash flow margin \(^{(1)}\)

<table>
<thead>
<tr>
<th></th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stated Target</td>
<td>~25%</td>
<td>30%+</td>
<td>35%+</td>
<td>40%+</td>
</tr>
<tr>
<td>Actual</td>
<td>26.3%</td>
<td>32%+</td>
<td>35%+</td>
<td></td>
</tr>
<tr>
<td>Guidance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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.
Committed to exceeding growth and profitability targets

<table>
<thead>
<tr>
<th></th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22 Q2</th>
<th>FY24 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue Growth + FCF Margin</strong></td>
<td>22%</td>
<td>13%</td>
<td>26%</td>
<td>----</td>
<td>40%+</td>
</tr>
<tr>
<td><strong>Revenue Growth</strong></td>
<td>20%</td>
<td>14%</td>
<td>11%</td>
<td>12%</td>
<td>12-16%</td>
</tr>
<tr>
<td><strong>Gross Margin</strong></td>
<td>74%</td>
<td>71%</td>
<td>73%</td>
<td>74.5%</td>
<td>~75%</td>
</tr>
<tr>
<td><strong>S&amp;M as a % of Revenue</strong></td>
<td>45%</td>
<td>40%</td>
<td>30%</td>
<td>28%</td>
<td>24-27%</td>
</tr>
<tr>
<td><strong>R&amp;D as a % of Revenue</strong></td>
<td>19%</td>
<td>20%</td>
<td>18%</td>
<td>17%</td>
<td>16-17%</td>
</tr>
<tr>
<td><strong>G&amp;A as a % of Revenue</strong></td>
<td>11%</td>
<td>10%</td>
<td>9%</td>
<td>9%</td>
<td>~8%</td>
</tr>
<tr>
<td><strong>Operating Margin</strong></td>
<td>(2%)</td>
<td>1%</td>
<td>15%</td>
<td>20.6%</td>
<td>23-27%</td>
</tr>
</tbody>
</table>

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. All forward-looking financial targets are as of August 25, 2021.
Thank you
Appendix
## GAAP to Non-GAAP Reconciliation – Gross Margin

<table>
<thead>
<tr>
<th>($ in thousands)</th>
<th>FY19</th>
<th>As a % of revenue</th>
<th>FY20</th>
<th>As a % of revenue</th>
<th>FY21</th>
<th>As a % of revenue</th>
<th>Q2FY22</th>
<th>As a % of revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAAP gross margin</td>
<td>$434,792</td>
<td>71.5%</td>
<td>$480,687</td>
<td>69.0%</td>
<td>$546,032</td>
<td>70.8%</td>
<td>$153,698</td>
<td>71.7%</td>
</tr>
<tr>
<td>Add: Stock-based compensation</td>
<td>14,065</td>
<td></td>
<td>16,769</td>
<td></td>
<td>18,936</td>
<td></td>
<td>4,883</td>
<td></td>
</tr>
<tr>
<td>Add: Restructuring activities</td>
<td>-</td>
<td></td>
<td>27</td>
<td></td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Add: Acquired intangible assets amortization</td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
<td>1,255</td>
<td></td>
</tr>
<tr>
<td>Non-GAAP gross margin</td>
<td>$448,857</td>
<td>73.8%</td>
<td>$497,483</td>
<td>71.4%</td>
<td>$564,968</td>
<td>73.3%</td>
<td>$159,836</td>
<td>74.5%</td>
</tr>
</tbody>
</table>
## GAAP to Non-GAAP Reconciliation — Operating Expenses

<table>
<thead>
<tr>
<th>($ in thousands)</th>
<th>FY19</th>
<th>As a % of revenue</th>
<th>FY20</th>
<th>As a % of revenue</th>
<th>FY21</th>
<th>As a % of revenue</th>
<th>FY22</th>
<th>As a % of revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GAAP research and development</strong></td>
<td>$163,750</td>
<td>27%</td>
<td>$199,750</td>
<td>29%</td>
<td>$201,262</td>
<td>26%</td>
<td>$52,722</td>
<td>25%</td>
</tr>
<tr>
<td>Less: Stock-based compensation</td>
<td>(45,189)</td>
<td></td>
<td>(62,565)</td>
<td></td>
<td>(61,145)</td>
<td></td>
<td>(16,626)</td>
<td></td>
</tr>
<tr>
<td>Less: Restructuring activities</td>
<td>-</td>
<td></td>
<td>(306)</td>
<td></td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Non-GAAP research and development</strong></td>
<td>$118,561</td>
<td>19%</td>
<td>$136,879</td>
<td>20%</td>
<td>$140,117</td>
<td>18%</td>
<td>$36,096</td>
<td>17%</td>
</tr>
<tr>
<td><strong>GAAP sales and marketing</strong></td>
<td>$312,210</td>
<td>51%</td>
<td>$317,615</td>
<td>46%</td>
<td>$275,742</td>
<td>36%</td>
<td>$72,788</td>
<td>34%</td>
</tr>
<tr>
<td>Less: Stock-based compensation</td>
<td>(36,864)</td>
<td></td>
<td>(38,030)</td>
<td></td>
<td>(42,015)</td>
<td></td>
<td>(12,919)</td>
<td></td>
</tr>
<tr>
<td>Less: Intangible assets amortization</td>
<td>(9)</td>
<td></td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Less: Restructuring activities</td>
<td>-</td>
<td></td>
<td>(1,134)</td>
<td></td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Non-GAAP sales and marketing</strong></td>
<td>$275,337</td>
<td>45%</td>
<td>$278,451</td>
<td>40%</td>
<td>$233,727</td>
<td>30%</td>
<td>$59,869</td>
<td>28%</td>
</tr>
<tr>
<td><strong>GAAP general and administrative</strong></td>
<td>$93,069</td>
<td>15%</td>
<td>$102,794</td>
<td>15%</td>
<td>$106,670</td>
<td>14%</td>
<td>$34,298</td>
<td>16%</td>
</tr>
<tr>
<td>Less: Stock-based compensation</td>
<td>(23,178)</td>
<td></td>
<td>(28,624)</td>
<td></td>
<td>(32,196)</td>
<td></td>
<td>(9,700)</td>
<td></td>
</tr>
<tr>
<td>Less: Intangible assets amortization</td>
<td>(15)</td>
<td></td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
<td>(11)</td>
<td></td>
</tr>
<tr>
<td>Less: Acquisition-related expenses</td>
<td>-</td>
<td></td>
<td>-</td>
<td>(790)</td>
<td>-</td>
<td>(44)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Less: Fees related to shareholder activism</td>
<td>-</td>
<td></td>
<td>(1,154)</td>
<td>(1,402)</td>
<td>-</td>
<td>(4,771)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Less: Restructuring activities</td>
<td>-</td>
<td></td>
<td>(184)</td>
<td></td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Non-GAAP general and administrative</strong></td>
<td>$69,876</td>
<td>11%</td>
<td>$72,832</td>
<td>10%</td>
<td>$72,282</td>
<td>9%</td>
<td>$19,772</td>
<td>9%</td>
</tr>
</tbody>
</table>
# GAAP to Non-GAAP Reconciliation — Operating Margin

<table>
<thead>
<tr>
<th>($ in thousands)</th>
<th>Q2FY22</th>
<th>As a % of revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAAP operating margin</td>
<td>($6,110)</td>
<td>(2.8%)</td>
</tr>
<tr>
<td>Add: Stock-based compensation</td>
<td>44,128</td>
<td>20.6%</td>
</tr>
<tr>
<td>Add: Acquired intangible assets amortization</td>
<td>1,266</td>
<td>0.6%</td>
</tr>
<tr>
<td>Add: Acquisition-related expenses</td>
<td>115</td>
<td>0.0%</td>
</tr>
<tr>
<td>Add: Fees related to shareholder activism</td>
<td>4,771</td>
<td>2.2%</td>
</tr>
<tr>
<td>Non-GAAP operating margin</td>
<td>$44,170</td>
<td>20.6%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>($ in thousands)</th>
<th>FY17</th>
<th>As a % of revenue</th>
<th>FY18</th>
<th>As a % of revenue</th>
<th>FY19</th>
<th>As a % of revenue</th>
<th>FY20</th>
<th>As a % of revenue</th>
<th>FY21</th>
<th>As a % of revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAAP operating margin</td>
<td>($150,655)</td>
<td>(38%)</td>
<td>($154,021)</td>
<td>(30%)</td>
<td>($134,237)</td>
<td>(22%)</td>
<td>($139,472)</td>
<td>(20%)</td>
<td>($37,642)</td>
<td>(5%)</td>
</tr>
<tr>
<td>Add: Stock-based compensation</td>
<td>78,372</td>
<td>19%</td>
<td>97,485</td>
<td>19%</td>
<td>119,296</td>
<td>20%</td>
<td>145,988</td>
<td>21%</td>
<td>154,292</td>
<td>20%</td>
</tr>
<tr>
<td>Add: Intangible assets amortization</td>
<td>3,352</td>
<td>1%</td>
<td>519</td>
<td>0%</td>
<td>24</td>
<td>0%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Add: Expenses related to legal verdict</td>
<td>(1,664)</td>
<td>0%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Add: Acquisition-related expenses</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>790</td>
<td>0%</td>
</tr>
<tr>
<td>Add: Fees related to shareholder activism</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,154</td>
<td>0%</td>
<td>1,402</td>
<td>0%</td>
</tr>
<tr>
<td>Add: Restructuring activities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,651</td>
<td>0%</td>
</tr>
<tr>
<td>Non-GAAP operating margin</td>
<td>($70,595)</td>
<td>(18%)</td>
<td>($56,017)</td>
<td>(11%)</td>
<td>($14,917)</td>
<td>(2%)</td>
<td>$9,321</td>
<td>1%</td>
<td>$118,842</td>
<td>15%</td>
</tr>
</tbody>
</table>
## GAAP to Non-GAAP Reconciliation — Operating Margin Outlook

<table>
<thead>
<tr>
<th>As a % of revenue</th>
<th>FY22E</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAAP operating margin</td>
<td>(3%)</td>
</tr>
<tr>
<td>Add: Stock-based compensation</td>
<td>20%</td>
</tr>
<tr>
<td>Add: Acquired intangible assets amortization</td>
<td>1%</td>
</tr>
<tr>
<td>Add: Acquisition-related expenses</td>
<td>0.5%</td>
</tr>
<tr>
<td>Add: Fees related to shareholder activism</td>
<td>1%</td>
</tr>
<tr>
<td>Non-GAAP operating margin</td>
<td>19.5%</td>
</tr>
</tbody>
</table>
## GAAP to Non-GAAP Reconciliation — Free Cash Flow

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