box

First Fiscal Quarter FY24 Financial Results

May 30, 2023

Forward-looking statements & non-GAAP financial measures

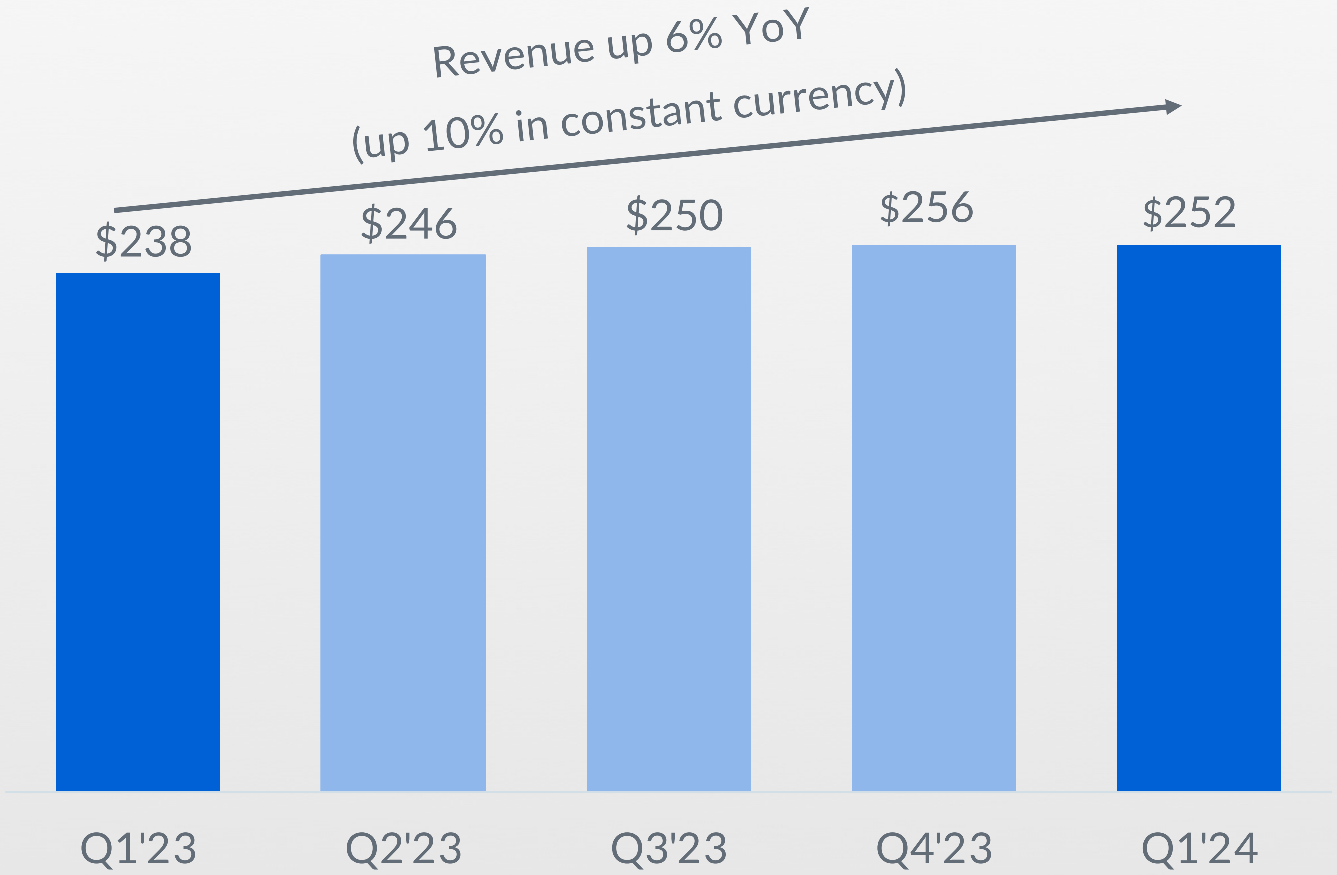
This presentation contains forward-looking statements that involve risks, uncertainties, and assumptions, including statements regarding Box's expectations regarding its growth and profitability, the size of its market opportunity, sales productivity, its leadership position in the cloud content management 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 macroeconomic conditions on its business, its ability to grow and scale its business and drive operating efficiencies, the impact of fluctuations in foreign currency exchange rates on its future results, its net retention rate, its ability to achieve revenue targets and billings expectations, its revenue and billings growth rates, its ability to expand operating margins, its revenue growth rate plus free cash flow margin in fiscal year 2024 and beyond, its long-term financial targets for fiscal year 2025 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 margins, GAAP and non-GAAP net income (loss) per share, GAAP and 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 second quarter and full fiscal year 2024, equity burn rate, 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, the Russian invasion of Ukraine, inflation, and fluctuations in foreign currency exchange rates; (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, integrations, new features 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 Annual Report on Form 10-K filed for the fiscal year ended January 31, 2023. 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 April 30, 2023. Box assumes no obligations and does not intend to update these estimates prior to filing its Form 10-Q for the fiscal quarter ended April 30, 2023.

You should not rely on any forward-looking statements, and Box assumes no obligation, nor do we intend, to update them. All information in this presentation is as of May 30, 2023.

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. The company has not reconciled certain of the non-GAAP measures in its long term operating model (including in its long term revenue plus free cash flow margin and its non-GAAP gross margin expectations) to their most directly comparable GAAP measure because certain adjustments, such as capital expenditures and stock based compensation expense, cannot be predicted with a reasonable degree of certainty and the amount recognized can vary significantly. Accordingly, a reconciliation is not available without unreasonable efforts.

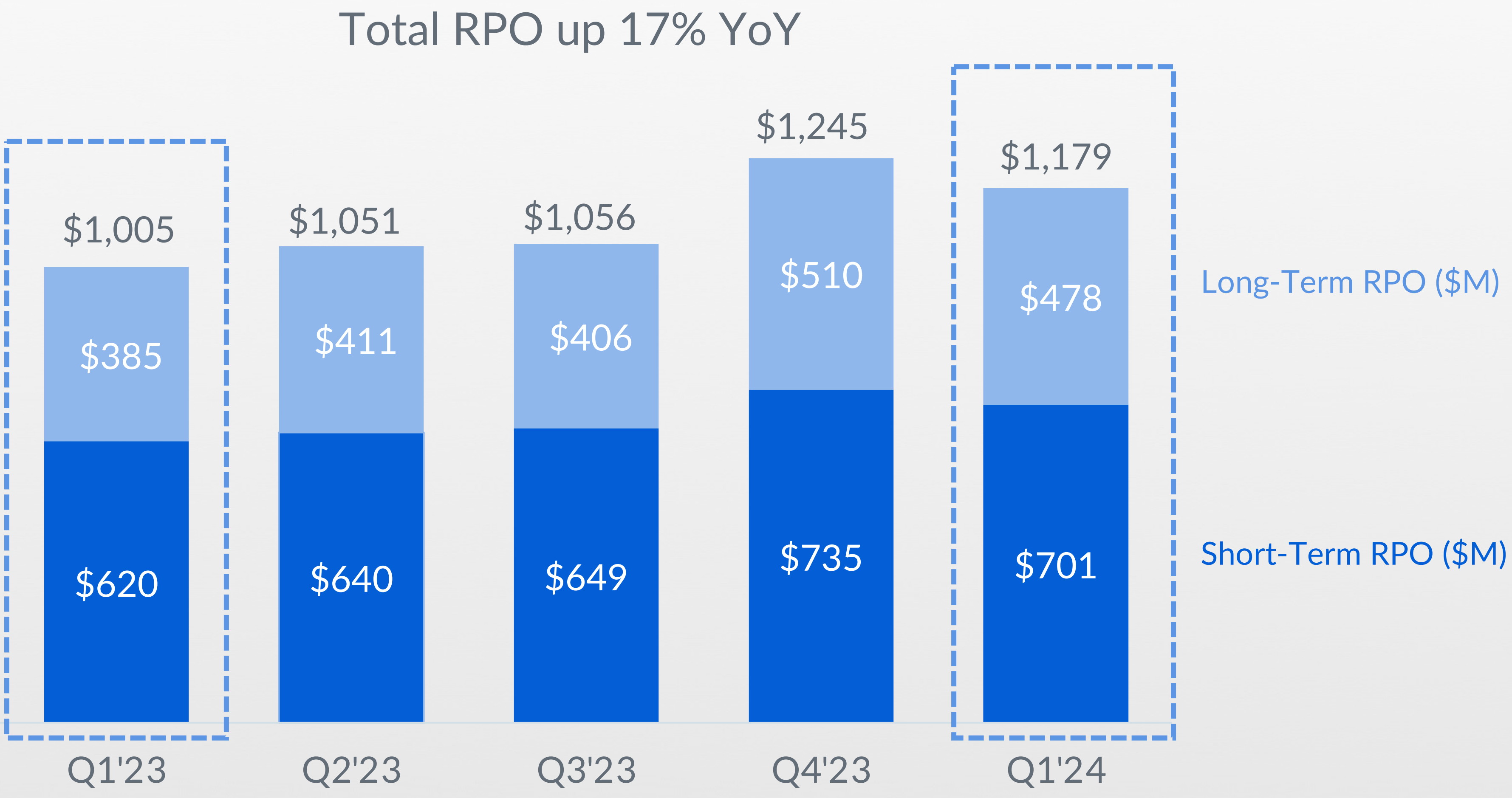
Revenue growth driven by Suites momentum



Note: $ values are shown in millions.
Note: Box fiscal year ends January 31.

RPO supports enduring growth and revenue visibility

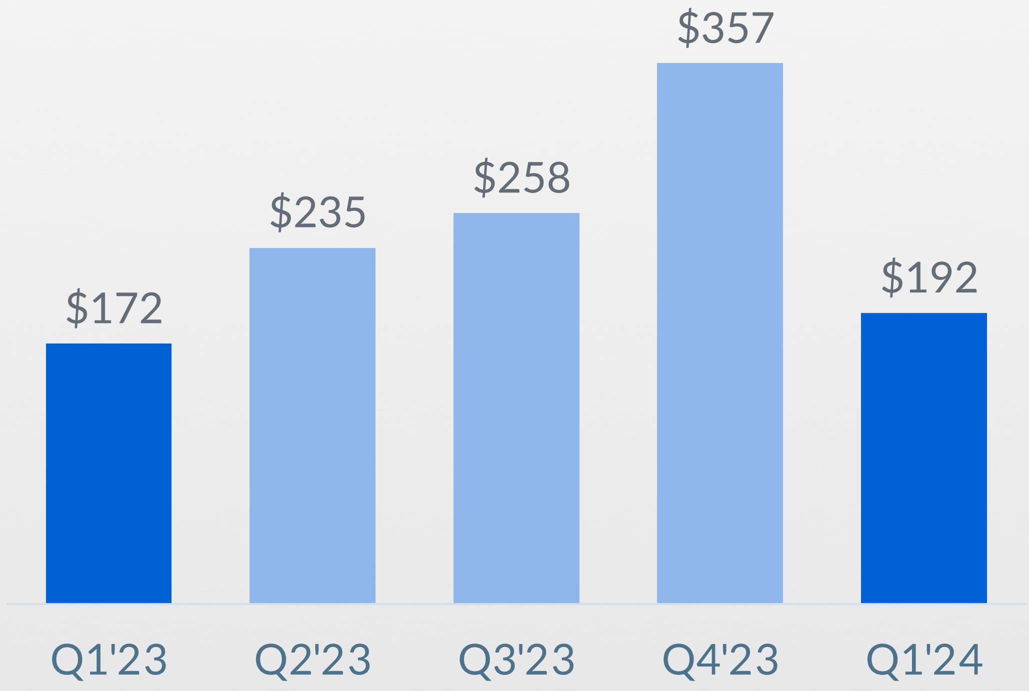
Driven by continued lengthening of contract durations partially offset by FX headwinds



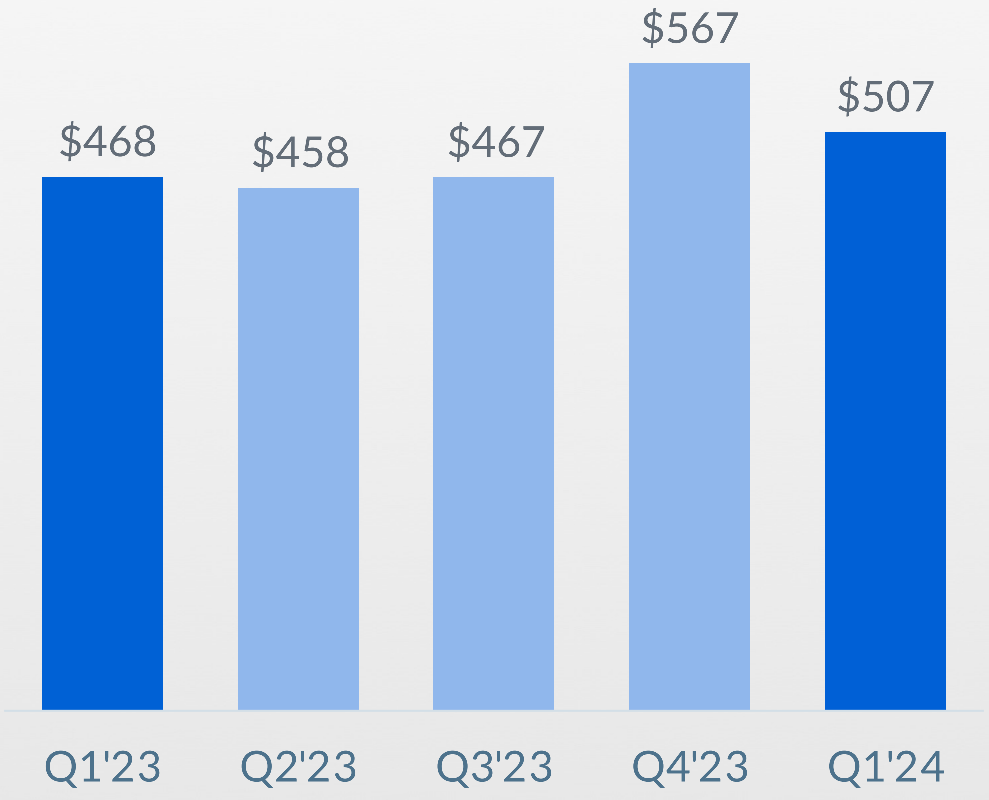
Note: Remaining performance obligations (RPO) represent, at a point in time, contracted revenue that has not yet been recognized. RPO consists of deferred revenue and backlog, offset by contract assets. Box does not consider RPO to be a non-GAAP financial measure because it is calculated in accordance with GAAP. Figures may not sum due to rounding.

Billings and deferred revenue

Billings up 11%* YoY



Deferred revenue up 8%* YoY

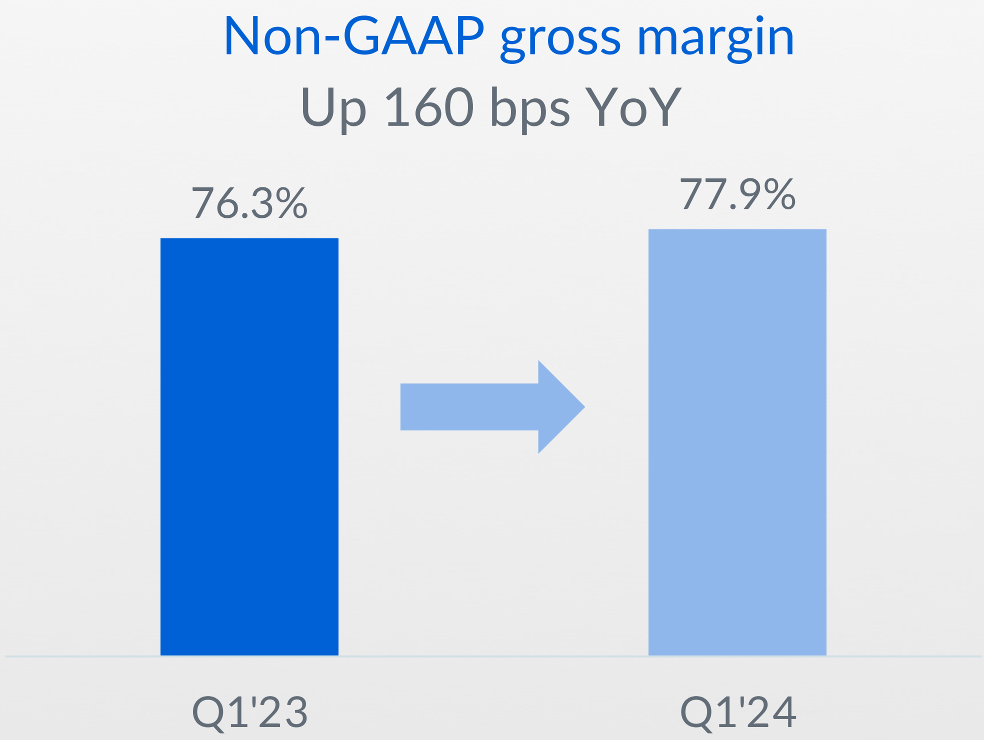


Note: $ values are shown in millions.

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

Delivering leverage through gross margin expansion

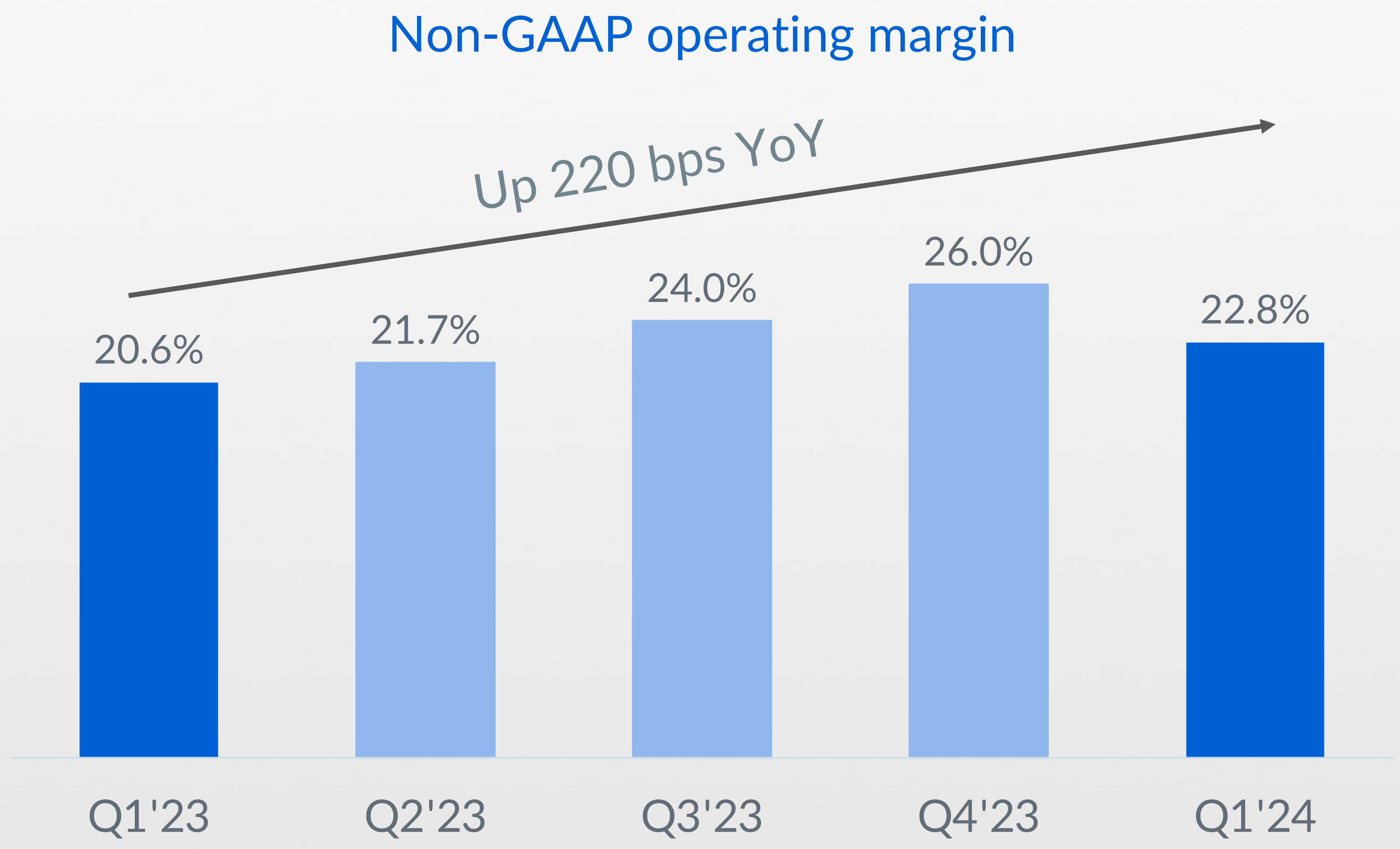
Optimizations from public cloud migration strategy resulted in reduced infrastructure costs and improved overall efficiencies



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

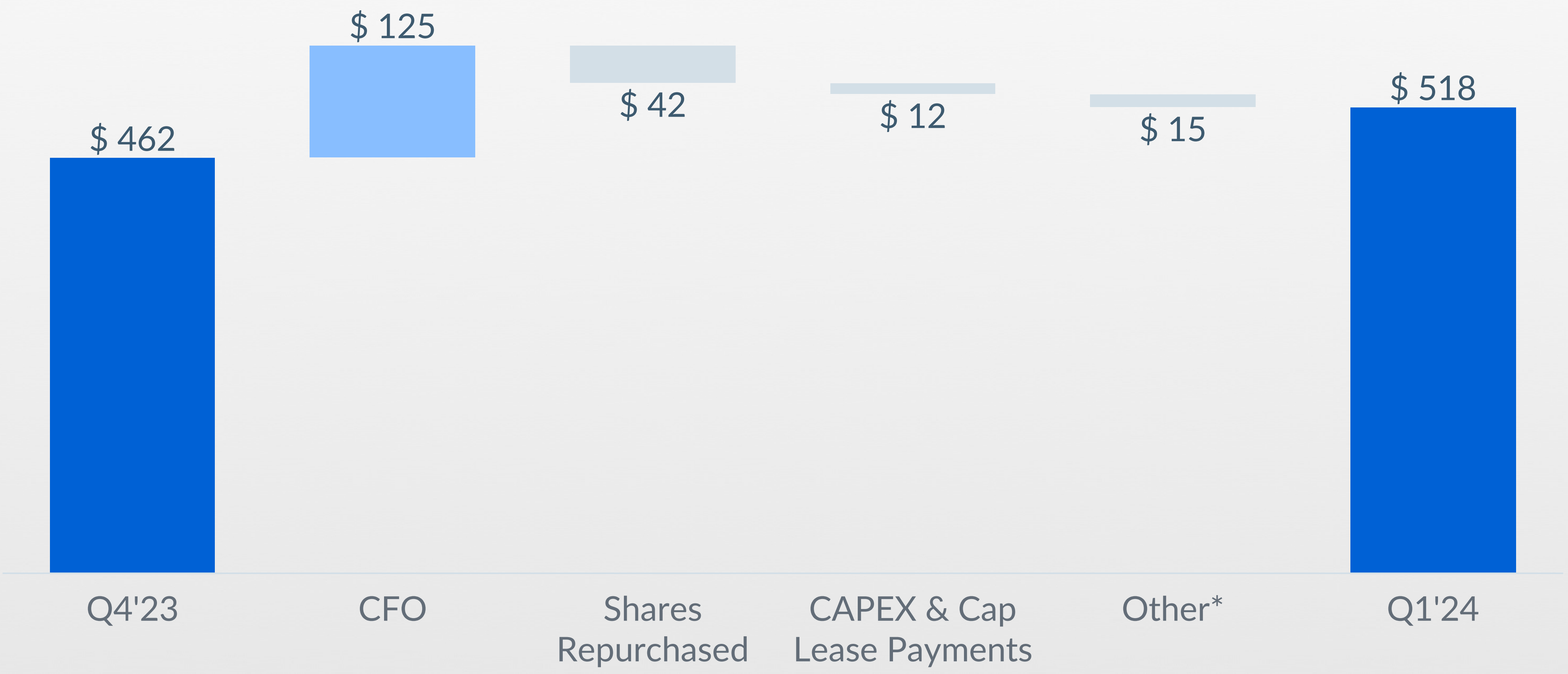
Delivering significant operating margin improvements

Operating discipline accelerates margin expansion



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

Cash, cash equivalents, restricted cash, and short-term investments



*"Other" primarily consists of RSU taxes, capitalized internal-use software costs and payments of dividend to preferred stockholders, partially offset by proceeds from issuance of common stock under our employee stock purchase plan.

Share repurchase program

- In Q1, the Company repurchased 1.7 million shares of Box’s Class A common stock for approximately $44 million.

- As of April 30, 2023, the Company had approximately $97 million of remaining Board-approved buyback capacity under the current plan.

Resilient business model focused on driving growth and profitability

	FY'21	FY'22	FY'23	Q1'24
Annual Revenue Growth + FCF Margin	26%	33%	37%	N/A
YoY Revenue Growth	11%	13%	13%	6%
Gross Margin	73%	74%	77%	78%
S&M as a % of Revenue	30%	28%	28%	28%
R&D as a % of Revenue	18%	17%	18%	18%
G&A as a % of Revenue	9%	9%	9%	9%
Operating Margin	15%	20%	23%	23%

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.

Guidance and Outlook

Q2 and fiscal year 2024 guidance

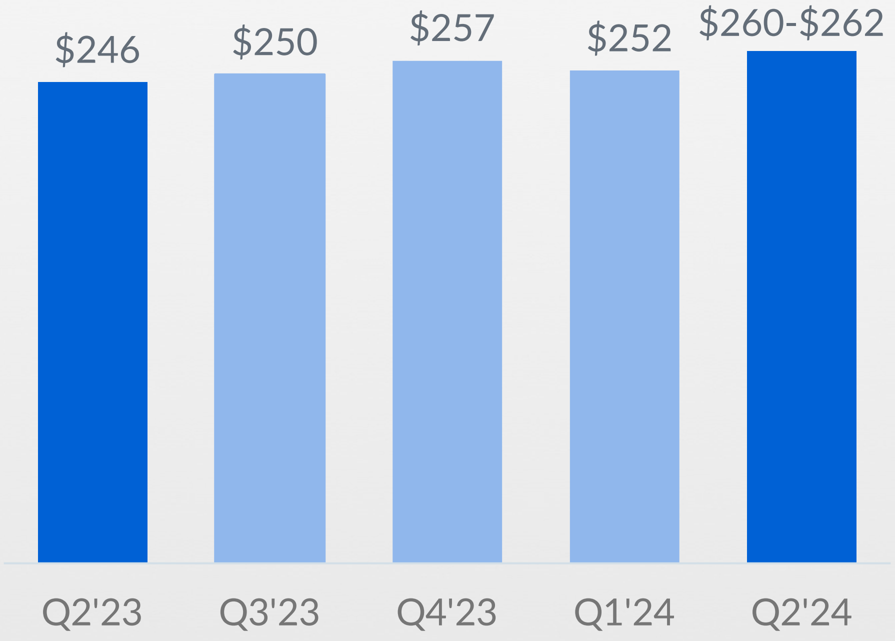
	Q2'24	FY24
Revenue	$260M – $262M	$1.045B – $1.055B
GAAP EPS	1¢ – 2¢	17¢ – 23¢
Non-GAAP EPS (diluted)	34¢ - 35¢	$1.44 - $1.50
Weighted-average shares, diluted	150 million	151 million
GAAP operating margin	Approximately 3%	Approximately 5%
Non-GAAP operating margin	Approximately 24%	Approximately 25.5%
Note: We estimate an approximately 4% currency headwind FY24 revenue growth, and a 20¢ currency headwind to FY24 GAAP and non-GAAP EPS.		

Delivering revenue growth at scale

Offset by FX headwinds

Q2 FY24 revenue guidance up 7% YoY[1]

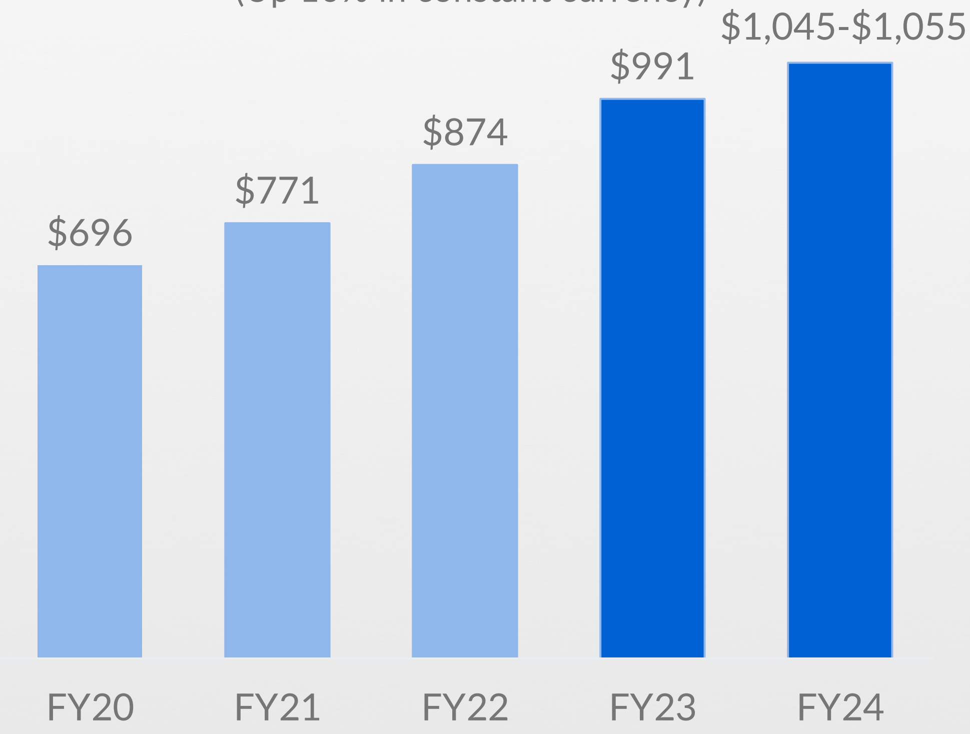
(Up 11% YoY in constant currency)



Quarterly Revenue ($M)

FY24 revenue guidance up 6% YoY[1]

(Up 10% in constant currency)



Annual Revenue ($M)

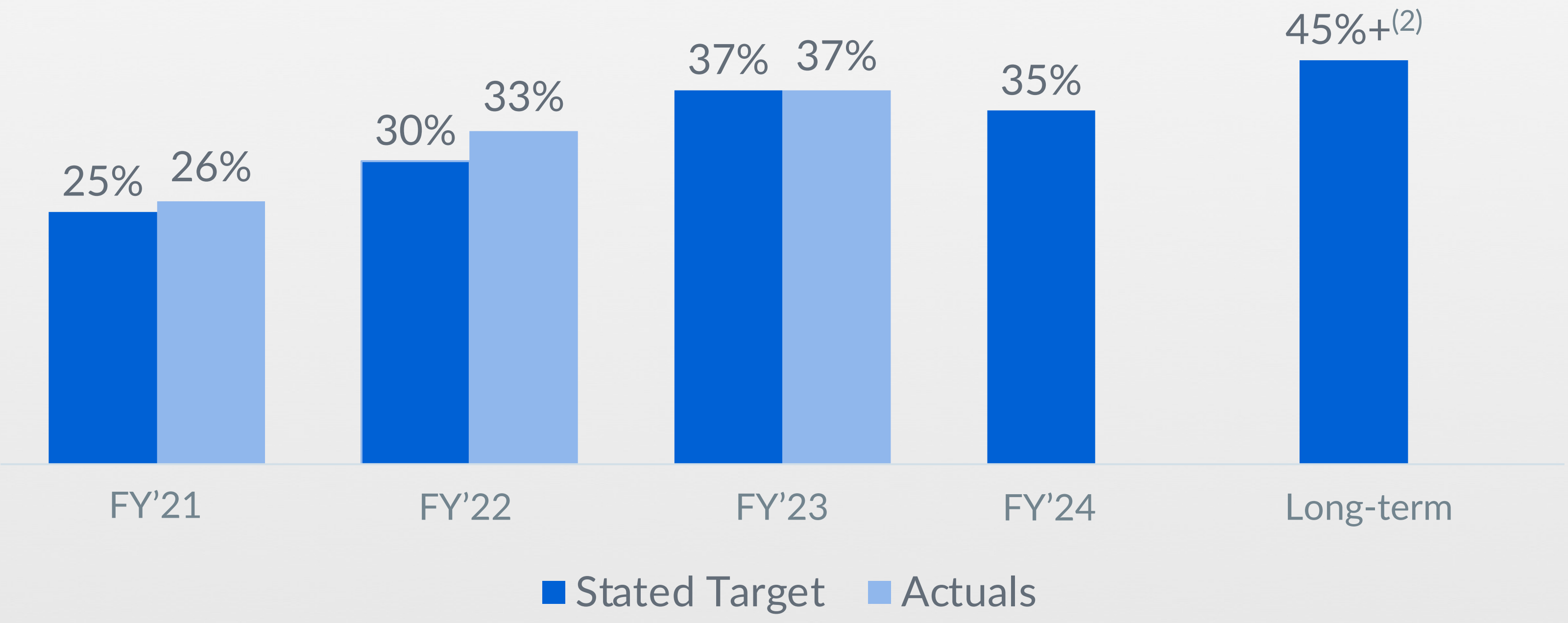
(1) Based on the high end of Q2 and full year FY24 guidance provided on the Q1FY24 earnings call on May 30, 2023.

Note: $ values are shown in millions

Fueling growth and operating leverage

Driving continued "Rule of" expansion

Revenue Growth + Free Cash Flow Margin(1)

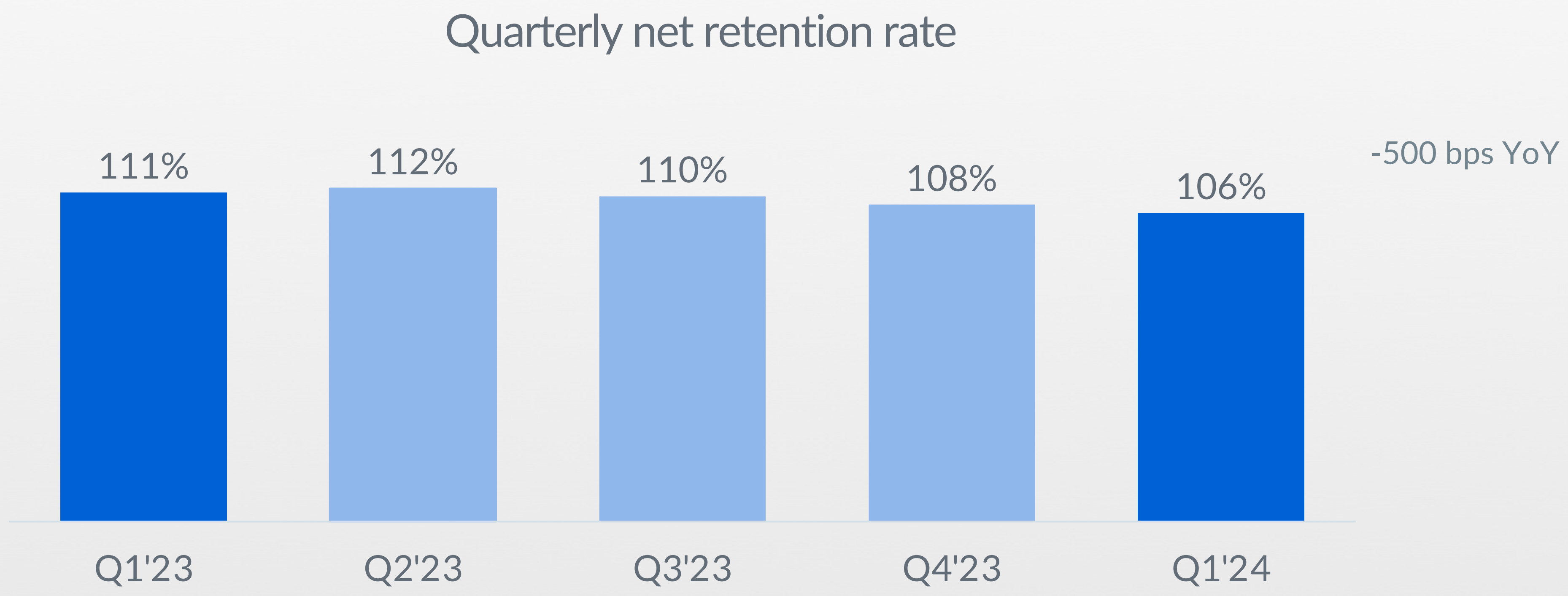


Notes:
(1) Note: Reconciliation to the nearest GAAP financial measure can be found in the Appendix.
(2) Based on the FY25 target provided on the FY24 Financial Analyst Day on March 14, 2023.

Key Customer Metrics

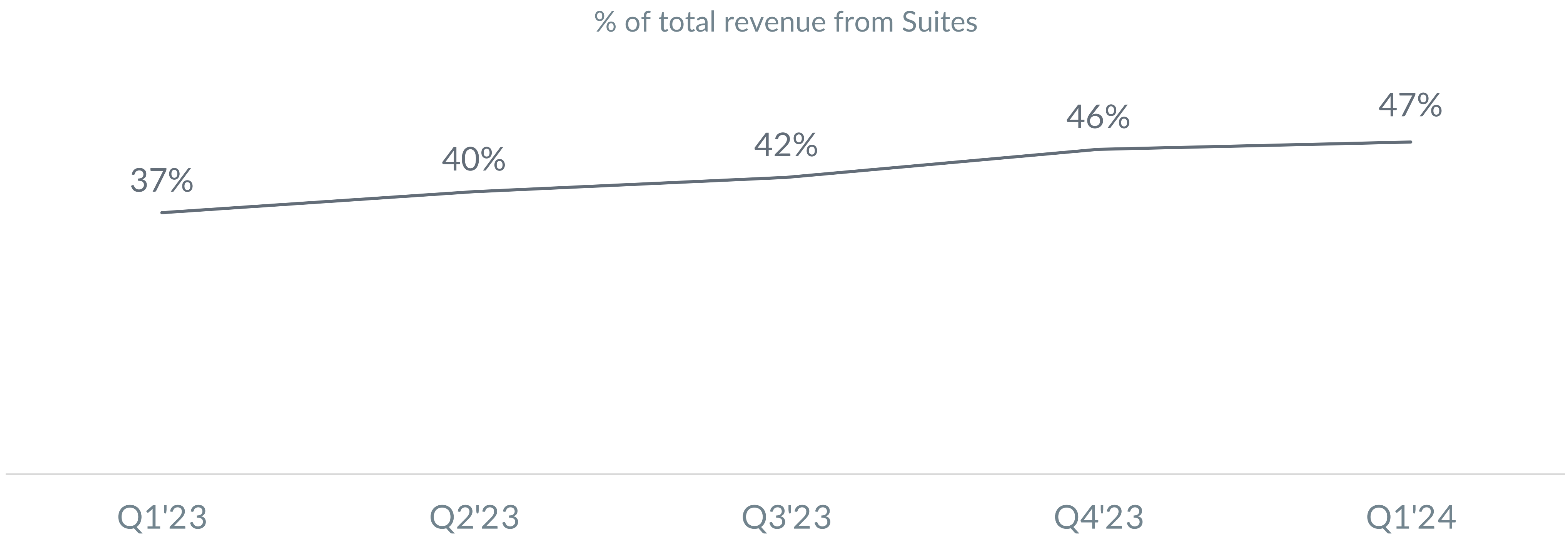
Strong customer net retention

Stable low full churn rate of 3%



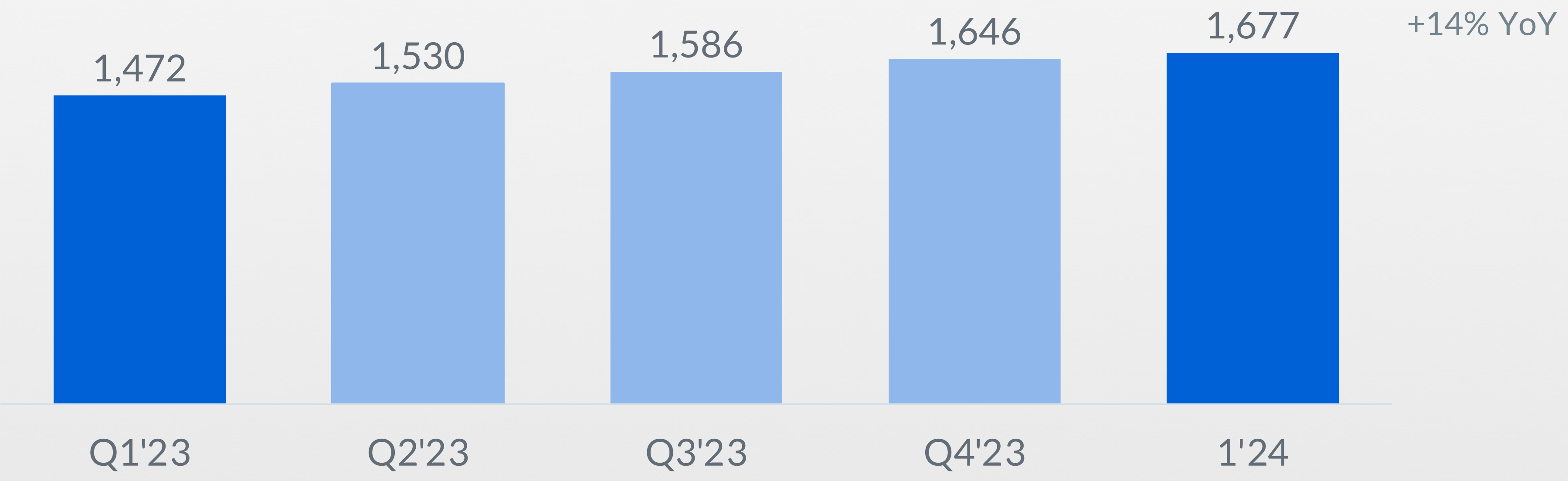
Customers increasingly adopting Suites

Suites support high value use cases and reduce cost and complexity



Large customer growth demonstrates strength of business model

Steady growth in customers paying more than $100k annually

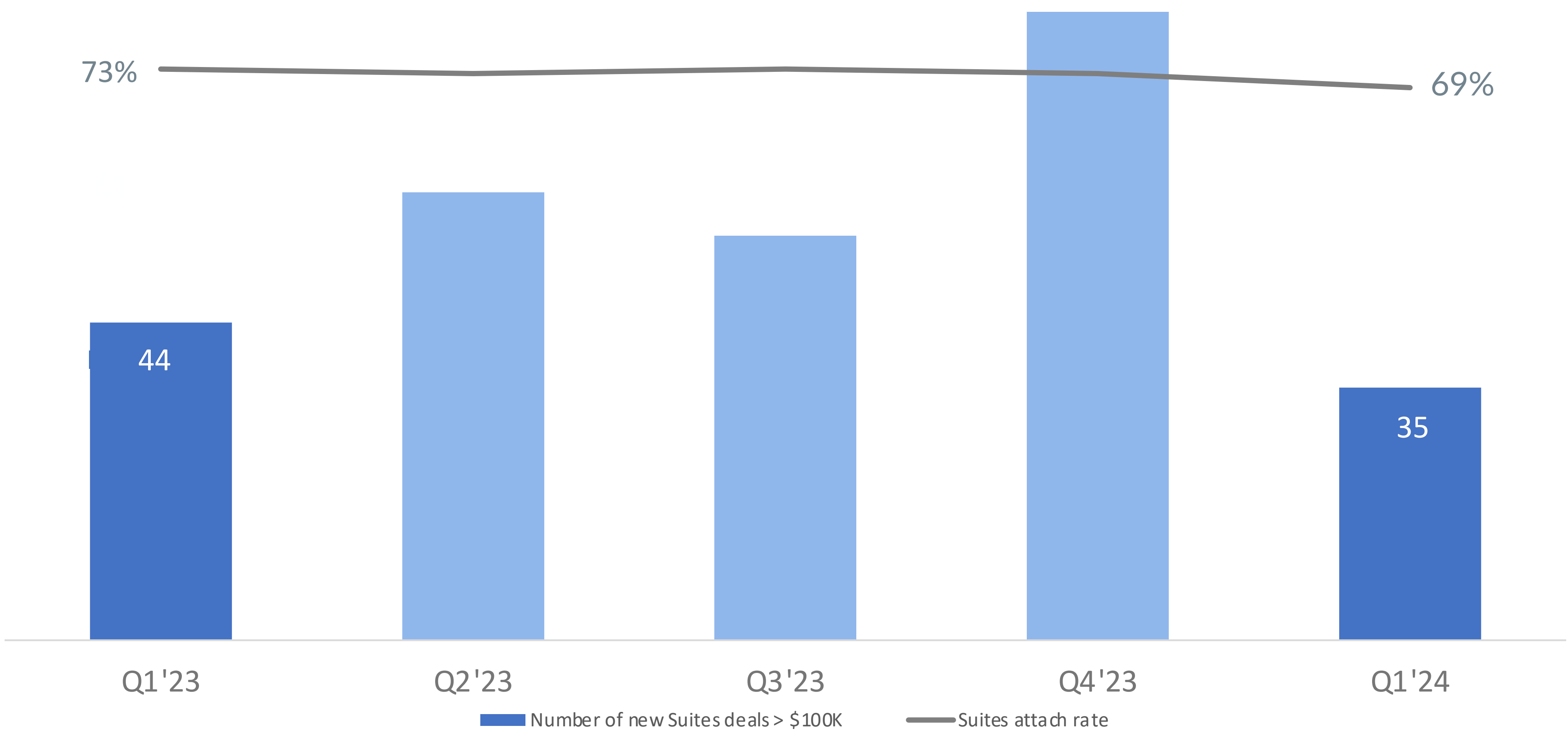


Customers >$100k in average contract value

Strong Suites attach rates

Attach rates demonstrate platform’s enhanced strategic value

Suites attach rate of 69%, down 400 bps



Appendix

Estimated Q2 and fiscal year 2024 preferred share non-GAAP impact summary

	Q2 FY24	FY24
Amortization of preferred share issuance costs	$0.5M	$2.1M
Preferred stock dividend	$3.7M	$15.0M
Undistributed earnings attributable to preferred shareholders	$6.0M - $7.0M	$29.0M - $30.0M

The preferred stock dividend and the impact from the above items will appear below the net income line in our P&L, and in the Earnings Per Share Note accompanying Box's financial statements.

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

GAAP Revenue to Billings Reconciliation

($ in thousands)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24
GAAP revenue	**$238,432**	**$246,015**	**$249,951**	**$256,476**	**$251,898**
Deferred revenue, end of period	468,350	458,249	467,080	566,630	507,385
Less: Deferred revenue, beginning of period	(534,242)	(468,350)	(458,249)	(467,080)	(566,630)
Contract assets, beginning of period	1,111	1,491	2,424	2,969	1,900
Less: Contract assets, end of period	(1,491)	(2,424)	(2,969)	(1,900)	(2,642)
Billings	**$172,160**	**$234,981**	**$258,237**	**$357,095**	**$191,911**

GAAP to Non-GAAP Reconciliation – Gross Margin

($ in thousands)	**Q1FY23**	*As a % of revenue*	**Q2FY23**	*As a % of revenue*	**Q3FY23**	*As a % of revenue*	**Q4FY23**	*As a % of revenue*	**Q1FY24**	*As a % of revenue*
GAAP gross margin	**$176,223**	*73.9%*	**$181,172**	*73.6%*	**$185,461**	*74.2%*	**$195,462**	*76.2%*	**$190,247**	*75.5%*
Add: Stock-based compensation	4,355		4,787		4,331		4,343		4,485	
Add: Acquired intangible assets amortization	1,452		1,452		1,452		1,452		1,452	
Non-GAAP gross margin	**$182,030**	*76.3%*	**$187,411**	*76.2%*	**$191,244**	*76.5%*	**$201,257**	*78.5%*	**$196,184**	*77.9%*

($ in thousands)	**FY21**	*As a % of revenue*	**FY22**	*As a % of revenue*	**FY23**	*As a % of revenue*
GAAP gross margin	**$546,032**	*70.8%*	**$624,848**	*71.5%*	**$738,318**	*74.5%*
Add: Stock-based compensation	18,936		20,093		17,816	
Add: Acquired intangible assets amortization	-		5,148		5,808	
Add: Restructuring activities	-		-		-	
Non-GAAP gross margin	**$564,968**	*73.3%*	**$650,089**	*74.4%*	**$761,942**	*76.9%*

GAAP to Non-GAAP Reconciliation — Operating Expenses

($ in thousands)	Q1FY23	As a % of revenue	Q2FY23	As a % of revenue	Q3FY23	As a % of revenue	Q4FY23	As a % of revenue	Q1FY24	As a % of revenue
GAAP research and development	**$61,733**	*26%*	**$61,965**	*25%*	**$59,107**	*24%*	**$60,724**	*24%*	**$62,518**	*25%*
Less: Stock-based compensation	(17,726)		(18,095)		(16,556)		(16,523)		(17,002)	
Non-GAAP research and development	**$44,007**	*18%*	**$43,870**	*18%*	**$42,551**	*17%*	**$44,201**	*17%*	**$45,516**	*18%*
GAAP sales and marketing	**$83,067**	*35%*	**$83,442**	*34%*	**$81,566**	*33%*	**$83,325**	*32%*	**$86,210**	*34%*
Less: Stock-based compensation	(15,289)		(14,800)		(14,158)		(14,201)		(15,318)	
Non-GAAP sales and marketing	**$67,778**	*28%*	**$68,642**	*28%*	**$67,408**	*27%*	**$69,124**	*27%*	**$70,892**	*28%*
GAAP general and administrative	**$30,799**	*13%*	**$32,625**	*13%*	**$31,422**	*13%*	**$31,703**	*12%*	**$33,184**	*13%*
Less: Stock-based compensation	(9,740)		(11,004)		(9,807)		(9,917)		(10,472)	
Less: Acquisition-related expenses	(53)		-		-		-		-	
Less: Fees related to shareholder activism	77		-		-		-		-	
Less: Expenses related to litigation	-		-		(307)		(415)		(292)	
Non-GAAP general and administrative	**$21,083**	*9%*	**$21,621**	*9%*	**$21,308**	*9%*	**$21,371**	*8%*	**$22,420**	*9%*

Note: Due to rounding, numbers presented may not calculate precisely to the percentage provided.

GAAP to Non-GAAP Reconciliation — Operating Expenses

($ in thousands)	**FY21**	*As a % of revenue*	**FY22**	*As a % of revenue*	**FY23**	*As a % of revenue*
GAAP research and development	**$201,262**	*26%*	**$218,523**	*25%*	**$243,529**	*25%*
Less: Stock-based compensation	(61,145)		(68,063)		(68,900)	
Less: Restructuring activities	-		-		-	
Non-GAAP research and development	**$140,117**	*18%*	**$150,460**	*17%*	**$174,629**	*18%*
GAAP sales and marketing	**$275,742**	*36%*	**$298,635**	*34%*	**$331,400**	*33%*
Less: Stock-based compensation	(42,015)		(52,547)		(58,448)	
Less: Restructuring activities	-		-		-	
Non-GAAP sales and marketing	**$233,727**	*30%*	**$246,088**	*28%*	**$272,952**	*28%*
GAAP general and administrative	**$106,670**	*14%*	**$135,316**	*15%*	**$126,549**	*13%*
Less: Stock-based compensation	(32,196)		(38,271)		(40,468)	
Less: Acquisition-related expenses	(790)		(1,282)		(53)	
Less: Fees related to shareholder activism	(1,402)		(15,644)		77	
Less: Expenses related to litigation	-		-		(722)	
Non-GAAP general and administrative	**$72,282**	*9%*	**$80,119**	*9%*	**$85,383**	*9%*

GAAP to Non-GAAP Reconciliation — Operating Margin

($ in thousands)	Q1FY23	As a % of revenue	Q2FY23	As a % of revenue	Q3FY23	As a % of revenue	Q4FY23	As a % of revenue	Q1FY24	As a % of revenue
GAAP operating margin	**$624**	*0.3%*	**$3,140**	*1.3%*	**$13,366**	*5.3%*	**$19,710**	*7.7%*	**$8,335**	*3.3%*
Add: Stock-based compensation	47,110		48,686		44,852		44,984		47,277	
Add: Acquired intangible assets amortization	1,452		1,452		1,452		1,452		1,452	
Add: Acquisition-related expenses	53		-		-		-		-	
Add: Fees related to shareholder activism	(77)		-		-		-		-	
Add: Expenses related to litigation	-		-		307		415		292	
Non-GAAP operating margin	**$49,162**	*20.6%*	**$53,278**	*21.7%*	**$59,977**	*24.0%*	**$66,561**	*26.0%*	**$57,356**	*22.8%*

($ in thousands)	FY21	As a % of revenue	FY22	As a % of revenue	FY23	As a % of revenue
GAAP operating margin	**($37,642)**	*(5%)*	**($27,626)**	*(3%)*	**$36,840**	*4%*
Add: Stock-based compensation	154,292		178,974		185,632	
Add: Intangible assets amortization	-		5,148		5,808	
Add: Acquisition-related expenses	790		1,282		53	
Add: Fees related to shareholder activism	1,402		15,644		(77)	
Add: Expenses related to litigation	-		-		722	
Non-GAAP operating margin	**$118,842**	*15%*	**$173,422**	*20%*	**$228,978**	*23%*

GAAP to Non-GAAP Reconciliation — Free Cash Flow

($ in thousands)	**FY21**	*As a % of revenue*	**FY22**	*As a % of revenue*	**FY23**	*As a % of revenue*
GAAP net cash provided by operating activities	**$196,834**	***26%***	**$234,818**	***27%***	**$297,980**	***30%***
Less: Purchases of property and equipment, net of proceeds from sales	(9,052)		(4,702)		(4,433)	
Less: Principal payments of finance lease liabilities	(60,020)		(50,391)		(40,353)	
Less: Capitalized internal-use software costs	(7,438)		(9,486)		(14,750)	
Free cash flow	**$120,324**	***16%***	**$170,239**	***19%***	**$238,444**	***24%***

GAAP to Non-GAAP Reconciliation — EPS Outlook

	Three Months Ended July 31, 2023	Fiscal Year Ended January 31, 2024
GAAP net income per share attributable to common stockholders range, diluted	**$0.01 – $0.02**	**$0.17 - $0.23**
Stock-based compensation	0.35	1.37
Acquired intangible asset amortization	0.01	0.04
Expenses related to litigation	-	0.02
Amortization of debt issuance costs	-	0.01
Undistributed earnings attributable to preferred stockholders	(0.04)	(0.16)
Non-GAAP net income per share attributable to common stockholders range, diluted	**$0.34 – $0.35**	**$1.44 - $1.50**
Weighted-average shares, diluted	**150,000**	**151,000**

Note: Figures may not sum due to rounding.

GAAP to Non-GAAP Reconciliation — Operating Margin Outlook

	Three Months Ended July 31, 2023	Fiscal Year Ended January 31, 2024
GAAP operating margin	**3.0%**	**5.0%**
Add: Stock-based compensation	20.5%	19.5%
Add: Acquired intangible assets amortization	0.5%	0.5%
Add: Expenses related to litigation	-	0.5%
Non-GAAP operating margin	**24.0%**	**25.5%**