BOX INC
Form 10-K
March 30, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended January 31, 2016

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO

Commission File Number 001-36805

Box, Inc.

(Exact name of registrant as specified in its Charter)

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

900 Jefferson Ave.

Redwood City, California 94063

(Address of principal executive offices and Zip Code)

(877) 729-4269

(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Class A common stock, par value $0.0001 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES x NO ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act (the Exchange Act). YES o NO x

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES x NO o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, based on the closing price of a share of the registrant's Class A common stock on July 31, 2015 as reported by the New York Stock Exchange on such date was approximately $986 million. Shares of the registrant's Class A common stock and Class B common stock held by each executive officer, director and holder of 10% or more of the outstanding Class A common stock and Class B common stock have been excluded in that such persons may be deemed to be affiliates.

This calculation does not reflect a determination that certain persons are affiliates of the registrant for any other purpose.

As of February 29, 2016 the number of shares of the registrant's Class A common stock outstanding was 42.4 million and the number of shares of the registrant's Class B common stock outstanding was 82.0 million.

Portions of the registrant's Definitive Proxy Statement relating to the Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Such Definitive Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended January 31, 2016.

Box, Inc.

Annual Report on Form 10-K

For the Fiscal Year Ended January 31, 2016

TABLE OF CONTENTS

		Page
	PART I	
Item 1.	Business	5
Item 1A.	Risk Factors	10
Item 1B.	Unresolved Staff Comments	31
Item 2.	Properties	31
Item 3.	Legal Proceedings	32
Item 4.	Mine Safety Disclosures	33
	PART II	
Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	34
Item 6.	Selected Consolidated Financial Data	36
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	38
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	64
Item 8.	Financial Statements and Supplementary Data	65
Item 9.	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	101
Item 9A.	Controls and Procedures	101
Item 9B.	Other Information	101
	PART III	
Item 10.	Directors, Executive Officers and Corporate Governance	102
Item 11.	Executive Compensation	102
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	102
Item 13.	Certain Relationships and Related Transactions, and Director Independence	102
Item 14.	Principal Accounting Fees and Services	102
	PART IV	
Item 15.	Exhibits, Financial Statement Schedules	102
	Signatures	103

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- our ability to maintain an adequate rate of revenue and billings growth;
- our business plan and our ability to effectively manage our growth;
- our ability to achieve profitability and positive cash flow;
- costs associated with defending intellectual property infringement and other claims;
- our ability to attract and retain end-customers;
- our ability to further penetrate our existing customer base;
- our ability to displace existing products in established markets;
- our ability to expand our leadership position in enterprise content management solutions;
- our ability to timely and effectively scale and adapt our existing technology;
- our ability to innovate new products and bring them to market in a timely manner;
- our ability to expand internationally;
- the effects of increased competition in our market and our ability to compete effectively;
- the effects of seasonal trends on our operating results;
- our expectations concerning relationships with third parties;
- the attraction and retention of qualified employees and key personnel;
- our ability to realize the anticipated benefits of our partnerships with third parties;
- our ability to maintain, protect and enhance our brand and intellectual property; and
- future acquisitions of or investments in complementary companies, products, services or technologies.

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

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

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

PART I

Item 1. BUSINESS

Overview

Box provides an enterprise content management platform that enables organizations of all sizes to securely manage enterprise content while allowing easy, secure access and sharing of this content from anywhere, on any device. With our Software-as-a-Service (SaaS) cloud-based platform, users can collaborate on content both internally and with external parties, automate content-driven business processes, develop custom applications, and implement data protection, security and compliance features to comply with internal policies and industry regulations. Our platform enables people to securely view, share and collaborate on content, across multiple file formats and media types, without having to open a desktop application or download the content to their mobile device. The software integrates with leading enterprise business applications, and is compatible with multiple application environments, operating systems and devices, ensuring that workers have access to their critical business content whenever and wherever they need it.

At our founding in 2005, we recognized that content is more accessible, secure and powerful when it is centrally stored, managed and shared. We have architected our content platform from the ground up to meet the evolving demands of today’s distributed and mobile workforce, and of enterprises that are looking to benefit from the increasing digitization of business. This architecture enables users to work and collaborate on content from anywhere in the world and allows organizations to centrally apply and manage policies and controls across all users and content simultaneously.

Our go-to-market strategy combines top-down, high-touch sales efforts with end-user-driven bottoms-up adoption. Our sales representatives engage in direct interaction with IT decision makers including CEOs, CIOs, IT directors and business department heads. We also field inbound inquiries and online sales opportunities. We offer individuals a free basic version of Box that allows them to experience, first hand, our easy-to-use and secure solution. We further expand our market reach by leveraging a network of channel partners that comprise value added resellers and systems integrators. Use of the Box offering often spreads virally within and across organizations, as users adopt Box and invite new users to collaborate. In addition an organization will frequently purchase Box for one use case and then later expand its deployment to other use cases with larger groups of employees and leading to deeper engagement with our service.

We also provide industry-specific offerings that address targeted business needs with a combination of technology, services and marketing programs. Where relevant, we also facilitate compliance with industry-specific regulations to ensure companies can use Box in accordance with legal requirements. These industry solutions are aimed to speed the deployment and time to value for customers in industries such as healthcare and life sciences, financial services, legal services, media and entertainment, retail, education, energy and government.

We are building a rich technology partner ecosystem around Box. Our platform integrates with the applications of leading enterprise technology providers, including Microsoft, IBM, Salesforce.com, Apple, Google, and others, giving our users easy access to their content in Box without leaving these applications. In addition, in-house enterprise developers and independent software developers can rapidly build and provision new applications that leverage and extend the core functionality of our service, increasingly with a focus on specific industries and vertical market use cases. To date, tens of thousands of third-party developers have leveraged our platform as the secure content layer for their applications.

The Box Solution

We deliver applications (web and mobile) for enterprise content management, a platform for developing custom applications and a series of industry-specific solutions. Box features and functionality include the following:

- Modern Cloud Architecture. We have built our platform from the ground up on a cloud-based architecture, which enables us to rapidly develop, update and provision our services to users. Our proprietary cloud architecture is particularly well-suited for today's dynamically changing business requirements because it enables our users to use the most up-to-date versions of our solutions at all times and administrators to immediately apply changes in policies and controls across all their organizations' critical content simultaneously.

- Mobility. Our solution enables users to securely access, manage, share and collaborate on their content anytime and from anywhere, using nearly any device and operating environment, including Mac, iOS, Android, Windows and Blackberry through both native and web browser applications.
- Elegant, Intuitive and User-Focused Interface. We are dedicated to keeping our solution easy for users to understand with little to no upfront training. We strive to enable quick and viral user adoption by maintaining a simple and elegant interface with compelling access, sharing and collaboration features.
- Built to Handle Content of Nearly Any Type. We have designed our solution to serve as the central content management layer for an organization's employees. Users securely access, share and collaborate on all types of information, regardless of format or file type, and from virtually any device or operating system.
- Simple and Rapid Deployment. Our cloud-based software allows organizations to easily, quickly and inexpensively deploy our product. IT administrators can quickly add users, set up permissions, create folders, policies, implement automated workflows and begin using our product almost immediately without the need to procure and provision hardware or install and configure software.
- Enterprise-Grade Security. We have invested heavily to build robust security features to protect our customers from the most pervasive security threats. At the most basic level, all files stored in Box are encrypted at rest and in transit. Box's information rights management (IRM) features enable secure access and management of files by providing granular control over users' ability to access, view, download, edit, print or share content. With our Box KeySafe product, organizations can implement higher levels of data security and protection by keeping control of the encryption keys that protect their content. This advanced encryption feature is valuable to many companies, including those in highly regulated industries such as financial services, government and legal.
- Administrative Controls. Box gives IT administrators powerful tools to define access rights by user, content type, device and business need. Administrators can set specific content policies such as expiration dates to auto-delete files or deactivate links to time-sensitive materials. They can also manage mobile and sync security settings, including specification of which devices have access to Box and whether certain features are enabled.
- Tracking and Reporting for Deep Visibility. All actions taken by paying business users and their external collaborators in Box are tracked and auditable by administrators through Box's native administrative applications. The tracking and audit data are also accessible via our application programming interfaces (API).
- Comprehensive Data Governance Strategy. Box serves as a secure, centralized system of record for retaining content for operational use while ensuring adherence to the laws and regulations concerning them, using data retention and Data Loss Prevention (DLP) capabilities. Our data security policies allow customers to apply quarantine or notification-only policies to sensitive confidential files, such as those containing predefined attributes, for example credit card or social security system numbers, and we provide robust integrations for leading eDiscovery and DLP systems. Our Box Governance product allows customers to control how long documents are to be retained in Box and disposition of those documents when the retention period expires.
- Automation and Workflow Management. Box can be used to automate workflows based on rules that customers define within Box. For example, sales contracts can be routed for review through a specific approval process based on the contract value. This allows customers to accelerate the flow of information through their organization and increase the efficiency of their business processes.
- Box Platform for Custom Application Development. We provide a content Platform-as-a-Service (cPaaS) product, known as Box Platform, to customers, independent software vendors (ISVs), and third-party developers that allows them to leverage our secure content management and collaboration functionality for their own custom business applications. Box Platform helps organizations to accelerate

their transformation into digital businesses by building applications faster, without having to invest in building their own content management infrastructure.

- Easy Integration with Other Cloud-Based Applications. Our open platform allows for easy integration with other cloud-based and enterprise applications. We offer a number of off-the-shelf integrations with leading productivity and business applications from IBM, Microsoft, Salesforce, Google and others, as well as an open API for organizations to integrate Box with other packaged and home-grown applications, including solution applications our customers build for their customers.
- Focus on Industry-Specific Offerings. In order to facilitate easier and faster time to market, we offer industry-specific solutions for those industries that have significant content and collaboration challenges. These offerings target specific business problems within those industries with a combination of Box, integration with industry-specific partner technologies, implementation expertise from Box Consulting and/or implementation partners, as well as templates for metadata and workflows that are applicable to those industries. For example, Box for Healthcare is a new offering to transform how healthcare providers work. Tailored specifically for hospitals, this new solution streamlines referral management, enables users to view and share DICOM files (like X-rays, CT Scans and Ultrasounds), reduces the need for manual faxing and scanning, and unlocks data trapped in hospital-based enterprise systems. Where relevant, we have obtained regulatory and compliance certifications as well. For example, we facilitate compliance with the Health Insurance Portability and Accountability Act (HIPAA), the Health Information Technology for Economic and Clinical Health (HITECH) Act, the Financial Industry Regulatory Authority (FINRA), and the Payment Card Industry Data Security Standard (PCI DSS), all of which are critical to highly-regulated industries such as healthcare, financial services and insurance.

Customers

Our user base includes over 44 million registered users. As of January 31, 2016, approximately 88% of our registered users are non-paying users who have independently registered for accounts and approximately 12% of our registered users are paying users who register as part of a larger enterprise or business account or by using a personal account.

We currently have over 57,000 paying organizations, and our solution is offered in 22 languages. We define paying organizations as separate and distinct buying entities, such as a company, an educational or government institution, or a distinct business unit of a large corporation, that have entered into a subscription agreement with us to utilize our services. Organizations typically purchase our solution in the following ways: (i) employees in one or more small groups within the organization may individually purchase our service; (ii) organizations may purchase IT-sponsored, enterprise-level agreements with deployments for specific, targeted use cases ranging from tens to thousands of user seats; (iii) organizations may purchase IT-sponsored, enterprise-level agreements where the number of user seats sold is intended to accommodate and enable nearly all information workers within the organization in whatever use cases they desire to adopt over the term of the subscription; or (iv) organizations may purchase our Box Platform service to create custom business applications for their own extended ecosystem of customers, suppliers and partners.

For the 12 months ended January 31, 2016, 61% of the dollar value of orders for our subscription services were from new enterprise customers and expansion within existing enterprise customers. We consider enterprise customers to be organizations with at least 1,000 employees, as such organizations are the focus of our Enterprise Accounts sales team. No individual customer represented more than 10% of our revenues in the year ended January 31, 2016.

We have developed several programs designed to provide customers with service options to quickly get them up and running and enhance their usage of our platform. These services include 24x7 support; a professional services ecosystem that consists of our Box Consulting team and system integrators that help customers implement simple use cases as well as more complex platform and content management oriented use cases, a Customer Success Management group to assist customers in production; and an online help center with self-service training materials, best practice guides and product documentation.

Sales and Marketing

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

We employ a direct sales team to offer a higher touch experience. We also make it easy for users and organizations to subscribe to paid versions of our service on our self-service web portal. Our sales team is composed of inside sales, outbound sales and field sales personnel who are generally organized by account size and geography, and/or major industry focus. We also have a rich ecosystem of channel partners who expand our reach to both large and small enterprises.

We generate customer leads, accelerate sales opportunities and build brand awareness through our marketing programs and through our strategic relationships. Our marketing programs target senior IT leaders, technology professionals and senior line of business leaders.

As a core part of our strategy, we have developed an ecosystem of partners to both broaden and complement our application offerings and to provide a broad array of services that lie outside of Box's areas of focus. These relationships include software and technology partners, consulting and implementation services providers that enable Box to address a broader set of use cases for our customers.

Research and Development

Our ability to compete depends in large part on our continuous commitment to product development and our ability to rapidly introduce new applications, technologies, features and functionality. In simple conceptual form, we provide a product that allows companies to securely manage, share and collaborate on files. In practice, we develop and maintain a set of sophisticated software services (e.g., search, share, secure, convert/view, log, etc.) around corporate content. These services, which comprise our platform, are used to develop our own applications (e.g., sync, web, native mobile) and also support the development of third-party applications.

Our product development organization is responsible for the specification, design, development and testing of our platform and applications. We focus our efforts on improving the security, reliability, performance and flexibility of the services in our platform. And we continually improve our applications so that they help users and teams become more productive in their day-to-day work.

Research and development expenses were $102.5 million, $66.4 million and $46.0 million for the years ended January 31, 2016, 2015 and 2014, respectively.

Competition

The enterprise content management market is large, highly competitive and highly fragmented. It is subject to rapidly evolving technology, shifting customer needs and frequent introductions of new products and services. We face competition from a broad spectrum of technology providers: vendors whose core competency is simple file sync and share, which can be deployed on-premise, hybrid, or via a SaaS delivery model; real-time collaboration vendors whose focus is on real-time voice, video and text communication in the enterprise; social collaboration vendors who focus on the conversations that occur between teams; traditional enterprise content management (ECM) vendors who deploy on-premise and offer deep records management, business process workflow, and archival capabilities; and newer mobile enterprise vendors who are beginning to enter the content collaboration market, are adding adjacent content capabilities onto an existing product, or serve a particular business or industry use case. Our current primary competitors include but are not limited to: established content management vendors such as EMC, Microsoft (Office365 and SharePoint) and Open Text; and file sync and share vendors including Dropbox, Google (Drive) and Microsoft (OneDrive for Business).

We may face future competition in our markets from other large, established companies, as well as from smaller specialized companies. In addition, we expect continued consolidation in our industry which could adversely alter the competitive dynamics of our markets including both pricing and the ability for us to compete successfully for customers.

The principal competitive factors in our market include:

- enterprise-grade security and compliance;
- ease of user experience;
- scalable product and infrastructure for large deployments;
- speed, availability, and reliability of the service;
- low-cost, quick deployment;
- depth of integration into enterprise applications, including office productivity, desktop and mobile tools;
- current and forward-thinking product development;
- agnostic to device, operating system, and file type;
- metadata capabilities;
- automation and workflow management;
- extensible platform for custom application development;
- customer-centric product development;
- rich ecosystem of channel partners and applications;
- superior customer service and commitment to customer success; and
- strength of professional services organization.

We believe that we compete favorably on the basis of these factors. Our ability to remain competitive will depend to a great extent upon our ongoing performance in the areas of product development, core technical innovation, platform and partner ecosystem and customer support. In addition, many of our competitors, particularly the large software companies named above, may have greater name recognition, longer operating histories, significantly greater resources and established relationships with our partners and customers which can give them advantageous positioning for their products despite other competitive merits of respective product features and functionality. Some competitors may be able to devote greater resources to the development, promotion and sale of their products than we can to ours, which could allow them to respond more quickly than we can to new technologies and changes in customer needs.

Intellectual Property

We rely on a combination of trade secrets, patents, copyrights and trademarks, as well as contractual protections, to establish and protect our intellectual property rights. As of January 31, 2016, we had 26 issued U.S. patents, 15 issued Great Britain patents and 2 Canadian patents that directly relate to our technology that expire between 2028 and 2033, and we had 84 pending patent applications in the U.S. and 16 pending patent applications internationally. We intend to pursue additional patent protection to the extent that we believe it would be beneficial and cost effective.

We require our employees, contractors, consultants and other third parties to enter into confidentiality and proprietary rights agreements and control access to software, documentation and other proprietary information. Although we rely on intellectual property rights, including trade secrets, patents, copyrights and trademarks, as well as contractual protections to establish and protect our proprietary rights, we believe that factors such as the technological and creative skills of our personnel, creation of new modules, features and functionality, and frequent enhancements to our applications are more essential to establishing and maintaining our technology leadership position.

Despite our efforts to protect our proprietary technology and our intellectual property rights, unauthorized parties may attempt to copy or obtain and use our technology to develop applications with the same functionality as our application. Policing unauthorized use of our technology and intellectual property rights is difficult.

We expect that software and other applications in our industry may be subject to third-party infringement claims as the number of competitors grows and the functionality of applications in different industry segments overlaps. Any of these third parties might make a claim of infringement against us at any time.

Employees

As of January 31, 2016, we had 1,370 employees. None of our employees are represented by a labor union. We have not experienced any work stoppages, and we consider our relations with our employees to be very good.

Corporate Information

Our principal executive offices are located at 900 Jefferson Ave. Redwood City, California 94063, and our telephone number is (877) 729-4269. Our website address is www.box.com, and our investor relations website is located at www.box.com/investors. The information on, or that can be accessed through, our website is not part of this report. We were incorporated in 2005 as Box.Net, Inc., a Washington corporation, and later reincorporated in 2008 under the same name as a Delaware corporation. In November 2011, we changed our name to Box, Inc. The Box design logo, “Box” and our other registered and common law trade names, trademarks and service marks are the property of Box, Inc. Other trademarks, service marks, or trade names appearing in this report are the property of their respective owners.

Available Information

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended. The public may obtain these filings at the Securities and Exchange Commission (the SEC)’s Public Reference Room at 100 F Street, NE, Washington, DC 20549 or by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements and other information that we file with the SEC electronically. Copies of our reports on Form 10-K, Forms 10-Q, Forms 8-K, and amendments to those reports may also be obtained, free of charge, electronically through our investor relations website located at www.box.com/investors as soon as reasonably practical after we file such material with, or furnish it to, the SEC.

We also use our investor relations website as a channel of distribution for important company information. Important information, including press releases, analyst presentations and financial information regarding us, as well as corporate governance information, is routinely posted and accessible on our investor relations website. In addition, important information is routinely posted and accessible on the blog section of our investor relations website, which is accessible by clicking on the tab labeled “Blog” on our investor relations website, as well as certain Twitter accounts, such as @boxhq, @levie and @boxincir. Information on or that can be accessed through our websites or are on these Twitter accounts is not part of this Annual Report on Form 10-K, and the inclusion of our website addresses and Twitter accounts are inactive textual references only.

Item 1A. RISK FACTORS

Investing in our Class A common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Annual Report on Form 10-K, including in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes, before making a decision to invest in our Class A common stock. If any of the risks actually occur, our business, financial condition, operating results and prospects could be materially and adversely affected. In that event, the market price of our Class A common stock could decline, and you could lose part or all of your investment.

Risks Related to Our Business and Our Industry

We have a history of cumulative losses, and we do not expect to be profitable for the foreseeable future.

We have incurred significant losses in each period since our inception in 2005. We incurred net losses of $202.9 million in our fiscal year ended January 31, 2016, $168.2 million in our fiscal year ended January 31, 2015, and $168.6 million in our fiscal year ended January 31, 2014. As of January 31, 2016, we had an accumulated deficit of $732.3 million. These losses and accumulated deficit reflect the substantial investments we made to acquire new customers and develop our services. We intend to continue scaling our business to increase our number of users and paying organizations and to meet the increasingly complex needs of our customers. We have invested, and expect to continue to invest, in our sales and marketing organizations to sell our services around the world and in our development organization to deliver additional features and capabilities of our cloud services to address our customers' evolving needs. We also expect to continue to make significant investments in our datacenter infrastructure and in our professional service organization as we focus on customer success. As a result of our continuing investments to scale our business in each of these areas, we do not expect to be profitable for the foreseeable future. Furthermore, to the extent we are successful in increasing our customer base, we will also incur increased losses due to upfront costs associated with acquiring new customers, particularly as a result of the limited free trial version of our service, and the nature of subscription revenue which is generally recognized ratably over the term of the subscription period, which is typically one year, although we also offer our services for terms ranging from one month to three years or more. We cannot assure you that we will achieve profitability in the future or that, if we do become profitable, we will sustain profitability.

We have a limited operating history, which makes it difficult to predict our future operating results.

We were incorporated and introduced our first service in 2005. As a result of our limited operating history, our ability to accurately forecast our future operating results is limited and subject to a number of uncertainties. We have encountered, and will continue to encounter, risks and uncertainties frequently experienced by growing companies in rapidly changing industries, such as the risks and uncertainties described herein. If our assumptions regarding these risks and uncertainties (which we use to plan our business) are incorrect or change due to changes in our markets, or if we do not address these risks and uncertainties successfully, our operating and financial results could differ materially from our expectations, and our business could suffer.

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

The market for cloud-based enterprise content management and collaboration services is fragmented, rapidly evolving and highly competitive, with relatively low barriers to entry for certain applications and services. Many of our competitors and potential competitors are larger and have greater name recognition, substantially longer operating histories, larger marketing budgets and significantly greater resources than we do. Our competitors include, but are not limited to, Microsoft, Google, Dropbox, Citrix and EMC. With the introduction of new technologies and market entrants, we expect competition to continue to intensify in the future. If we fail to compete effectively, our business will be harmed. Some of our principal competitors offer their products or services at a lower price, which has resulted in pricing pressures on our business. If we are unable to achieve our target pricing levels, our operating results would be negatively impacted. In addition, pricing pressures and increased competition generally could result in reduced sales, lower margins, losses or the failure of our services to achieve or maintain widespread market acceptance, any of which could harm our business.

Many of our competitors are able to devote greater resources to the development, promotion and sale of their products or services. In addition, many of our competitors have established marketing relationships and major distribution agreements with channel partners, consultants, system integrators and resellers. Moreover, many software vendors could bundle products or offer them at lower prices as part of a broader product sale or enterprise license arrangement. Some competitors may offer products or services that address one or a number of business execution functions at lower prices or with greater depth than our services. As a result, our competitors may be able to respond more quickly and effectively to new or changing opportunities, technologies, standards or customer requirements. Furthermore, some potential customers, particularly large enterprises, may elect to develop their own internal solutions. For any these reasons, we may not be able to compete successfully against our current and future competitors.

If the cloud-based enterprise content management and collaboration market declines or develops more slowly than we expect, our business could be adversely affected.

The cloud-based enterprise content management and collaboration market is not as mature as the on-premise enterprise software market, and it is uncertain whether a cloud-based service like ours will achieve and sustain high levels of customer demand and market acceptance. Because we derive, and expect to continue to derive, substantially all of our revenue and cash flows from sales of our cloud-based enterprise content management and collaboration solution, our success will depend to a substantial extent on the widespread adoption of cloud computing in general and of cloud-based content collaboration services in particular. Many organizations have invested substantial personnel and financial resources to integrate traditional enterprise software into their organizations and, therefore, may be reluctant or unwilling to migrate to a cloud-based model for storing, accessing, sharing and managing their content. It is difficult to predict customer adoption rates and demand for our services, the future growth rate and size of the cloud computing market or the entry of competitive services. The expansion of a cloud-based enterprise content management and collaboration market depends on a number of factors, including the cost, performance and perceived value associated with cloud computing, as well as the ability of companies that provide cloud-based services to address security and privacy concerns. If we or other providers of cloud-based services experience security incidents, loss of customer data, disruptions in delivery or other problems, the market for cloud-based services as a whole, including our services, may be negatively affected. If cloud-based services do not achieve widespread adoption, or there is a reduction in demand for cloud-based services caused by a lack of customer acceptance, technological challenges, weakening economic conditions, security or privacy concerns, competing technologies and products, decreases in corporate spending or otherwise, it could result in decreased revenue, harm our growth rates, and adversely affect our business and operating results.

We have experienced rapid growth. If we fail to manage our growth effectively, we may be unable to execute our business plan, maintain high levels of service or adequately address competitive challenges.

We have experienced a period of rapid growth in our operations and employee headcount. In particular, we grew from 369 employees as of January 31, 2012 to 1,370 employees as of January 31, 2016, and significantly increased the size of our customer base. You should not consider our recent growth as indicative of our future performance. However, we anticipate that we will expand our operations and employee headcount in the near term, including internationally. This growth has placed, and future growth will place, a significant strain on our management, administrative, operational and financial infrastructure. Our success will depend in part on our ability to manage this growth effectively. For example, in November 2015, we relocated to our new larger headquarters in Redwood City, California. To manage the expected growth of our operations and personnel, we will need to continue to improve our operational, financial and management controls, and our reporting systems and procedures. Failure to effectively manage growth could result in difficulty or delays in deploying customers, declines in quality or customer satisfaction, increases in costs, difficulties in introducing new features or other operational difficulties. Any of these difficulties could adversely impact our business performance and operating results.

Our business depends substantially on customers renewing their subscriptions with us and expanding their use of our services. Any decline in our customer renewals or failure to convince our customers to broaden their use of our services would harm our future operating results.

In order for us to maintain or improve our operating results, it is important that our customers renew their subscriptions with us when their existing subscription term expires. Our customers have no obligation to renew their subscriptions upon expiration, and we cannot assure you that customers will renew subscriptions at the same or higher level of service, if at all. Although our retention rate has historically been high, some of our customers have elected not to renew their subscriptions with us.

Our retention rate may decline or fluctuate as a result of a number of factors, including our customers' satisfaction or dissatisfaction with our services, the effectiveness of our customer support services, our pricing, the prices of competing products or services, mergers and acquisitions affecting our customer base, the effects of global economic conditions or reductions in our customers' spending levels. If our customers do not renew their subscriptions, purchase fewer seats or renew on less favorable terms, our revenue may decline, and we may not realize improved operating results from our customer base.

In addition, the growth of our business depends in part on our customers expanding their use of our services. The use of our cloud-based enterprise content management and collaboration platform often expands within an organization as new users are added or as additional services are purchased by or for other departments within an organization. Further, as we have introduced new services throughout our operating history, our existing customers have constituted a significant portion of the users of such services. If we are unable to encourage our customers to broaden their use of our services, our operating results may be adversely affected.

If we are not able to provide successful enhancements, new features and modifications to our services, our business could be adversely affected.

Our industry is marked by rapid technological developments and new and enhanced applications and services. If we are unable to provide enhancements and new features for our existing services or offer new services that achieve market acceptance or that keep pace with rapid technological developments, our business could be adversely affected. For example, we have recently introduced Box Platform, which allows our customers to leverage Box's powerful content services within their own custom applications, Box KeySafe, a solution that builds on top of Box's strong encryption and security capabilities to give customers greater control over the encryption keys used to secure the file contents that are stored with Box, Box Capture, an app for the enterprise that securely connects an iOS device's camera to business processes for field and mobile workers, and Box Governance, which gives customers a better way to comply with regulatory policies, satisfy e-discovery requests and effectively manage sensitive business information. The success of enhancements, new features or services depends on several factors, including the timely completion, introduction and market acceptance of such enhancements, features or services. Failure in this regard may significantly impair our revenue growth. In addition, because our services are designed to operate on a variety of systems, we will need to continuously modify and enhance our services to keep pace with changes in internet-related hardware, mobile operating systems such as iOS and Android, and other software, communication, browser and database technologies. We may not be successful in either developing these modifications and enhancements or in bringing them to market in a timely fashion. Furthermore, modifications to existing platforms or technologies will increase our research and development expenses. Any failure of our services to operate effectively with future network platforms and technologies could reduce the demand for our services, result in customer dissatisfaction and adversely affect our business.

Actual or perceived security vulnerabilities in our services or any breaches of our security controls and unauthorized access to a customer's data could harm our business and operating results.

The services we offer involve the storage of large amounts of our customers' sensitive and proprietary information, across a broad industry spectrum. Cyber attacks and other malicious internet-based activity continue to increase in frequency and in magnitude generally, and cloud-based content collaboration services have been targeted in the past. These increasing threats are being driven through a variety of sources including nation-state sponsored espionage and hacking activities, industrial espionage, organized crime and hacking groups and individuals. As we increase our customer base and our brand becomes more widely known and recognized, and as our service is used in more heavily regulated industries such as healthcare, government, and financial services where there may be a greater concentration of sensitive and protected data, we may become more of a target for these malicious third parties. For example, we have announced several high profile customers including the U.S. Department of Justice.

If our security measures are or are believed to be breached as a result of third-party action, employee negligence, error or malfeasance, product defects or otherwise, and this results in, or is believed to result in, the disruption of the confidentiality, integrity or availability of our customers' data, we could incur significant liability to our customers and to individuals or organizations whose information is being stored by our customers, and our business may suffer and our reputation may be damaged. Techniques used to obtain unauthorized access to, or to sabotage, systems or networks, change frequently and generally are not recognized until launched against a target. Therefore, we may be unable to anticipate these techniques, react in a timely manner, or implement adequate preventive measures. In addition, our customer contracts often include (i) specific obligations that we maintain the availability of the customer's data through our service and that we secure customer content against unauthorized access or loss, and (ii) indemnity provisions whereby we indemnify our customers for third-party claims asserted against them that result from our failure to maintain the availability of their content or securing the same from unauthorized access or loss. While our customer contracts contain limitations on our liability in connection with these obligations and indemnities, if an actual or perceived security breach occurs, the market perception of the effectiveness of our security measures could be harmed, we could be subject to indemnity or damage claims in certain customer contracts, and we could lose future sales and customers, any of which could harm our business and operating results. Furthermore, while our errors and omissions insurance policies include liability coverage for these matters, if we experienced a widespread security breach that impacted a significant number of our customers for whom we have these indemnity obligations, we could be subject to indemnity claims that exceed such coverage.

As a substantial portion of our sales efforts are increasingly targeted at enterprise customers, our sales cycle may become increasingly lengthier and more expensive, we may encounter greater pricing pressure and implementation and customization challenges, and we may have to delay revenue recognition for more complicated transactions, all of which could harm our business and operating results.

As a substantial portion of our sales efforts are increasingly targeted at enterprise customers, we face greater costs, longer sales cycles and less predictability in the completion of some of our sales. In this market segment, the customer's decision to use our services may be an enterprise-wide decision, in which case these types of sales require us to provide greater levels of customer education regarding the uses and benefits of our services, as well as education regarding security, privacy, and data protection laws and regulations, especially for those customers in more heavily regulated industries or those with significant international operations. In addition, larger enterprises may demand more customization, integration and support services, and features. As a result of these factors, these sales opportunities may require us to devote greater sales support and professional services resources to individual customers, which could increase our costs, lengthen our sales cycle and divert our own sales and professional services resources to a smaller number of larger customers. Meanwhile, this would potentially require us to delay revenue recognition on some of these transactions until the technical or implementation requirements have been met. Professional services may also be performed by a third party or a combination of our own staff and a third party. Our strategy is to work with third parties to increase the breadth of capability and depth of capacity for delivery of these services to our customers. If a customer is not satisfied with the quality or interoperability of our services with their own IT environment, we could incur additional costs to address the situation, which could adversely affect our margins. Moreover, any customer dissatisfaction with our services could damage our ability to encourage broader adoption of our services by that customer. In addition, any negative publicity resulting from such situations, regardless of its accuracy, may further damage our business by affecting our ability to compete for new business with current and prospective customers.

Privacy concerns and laws or other domestic or foreign regulations may reduce the effectiveness of our services and harm our business.

Users can use our services to store personal or identifying information. However, federal, state and foreign government bodies and agencies have adopted or are considering adopting laws and regulations regarding the collection, use and disclosure of personal information obtained from consumers and other individuals. Foreign data protection, privacy and other laws and regulations, particularly in Europe, are often more restrictive than those in the United States. The costs of compliance with, and other burdens imposed by, such laws and regulations that are applicable to our business or the businesses of our customers may limit the use and adoption of our services and reduce overall demand for them.

These U.S. federal and state and foreign laws and regulations, which can be enforced by private parties or governmental entities, are constantly evolving and can be subject to significant change. A number of proposals are pending before federal, state and foreign legislative and regulatory bodies that could affect our business. For example, the European Commission is considering adoption of a general data protection regulation that would supersede current

EU data protection legislation, impose more stringent EU data protection requirements, and provide for greater penalties for noncompliance. Additionally, in October 2015, the European Court of Justice invalidated the U.S.-EU Safe Harbor framework that had been in place since 2000, which allowed companies to meet certain European legal requirements for the transfer of personal data from the European Economic Area to the United States. While other adequate legal mechanisms to lawfully transfer such data remain, the invalidation of the

U.S.-EU Safe Harbor framework may result in different European data protection regulators applying differing standards for the transfer of personal data, which could result in increased regulation, cost of compliance and limitations on data transfer for us and our customers. Although U.S. and EU authorities reached a political agreement on February 2, 2016, regarding a new potential means for legitimizing personal data transfers from the EEA to the United States, the EU-U.S. Privacy Shield, it is unclear whether the EU-U.S. Privacy Shield will be formally implemented and whether the EU-U.S. Privacy Shield will function as an appropriate means for us to legitimize personal data transfers from the EEA to the U.S. Similarly, there have been a number of recent legislative proposals in the United States, at both the federal and state level, that would impose new obligations in areas such as privacy and liability for copyright infringement by third parties. In addition, some countries are considering legislation requiring local storage and processing of data that could increase the cost and complexity of delivering our services.

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

Furthermore, government agencies may seek to access sensitive information that our users upload to Box, or restrict users' access to Box. Laws and regulations relating to government access and restrictions are evolving, and compliance with such laws and regulations could limit adoption of our services by users and create burdens on our business. Moreover, regulatory investigations into our compliance with privacy-related laws and regulations could increase our costs and divert management attention.

If we are not able to satisfy data protection, security, privacy, and other government- and industry-specific requirements, our growth could be harmed.

There are a number of data protection, security, privacy and other government- and industry-specific requirements, including those that require companies to notify individuals of data security incidents involving certain types of personal data. Security compromises experienced by our competitors, by our customers or by us may lead to public disclosures, which could harm our reputation, erode customer confidence in the effectiveness of our security measures, negatively impact our ability to attract new customers, or cause existing customers to elect not to renew their agreements with us. In addition, some of the industries we serve have industry-specific requirements relating to compliance with certain security and regulatory standards, such as those required by the HIPAA, FINRA, and the HITECH Act. As we expand into new verticals and regions, we will likely need to comply with these and other new requirements to compete effectively. If we cannot comply or if we incur a violation in one or more of these requirements, our growth could be adversely impacted, and we could incur significant liability.

Because we recognize revenue from subscriptions for our services over the term of the subscription, downturns or upturns in new business may not be immediately reflected in our operating results.

We generally recognize revenue from customers ratably over the terms of their subscription agreements, which are typically one year, although we also offer our services for terms ranging from one month to three years or more. As a result, most of the revenue we report in each quarter is the result of subscription agreements entered into during prior quarters. Consequently, a decline in new or renewed subscriptions in any one quarter may not be reflected in our revenue results for that quarter. However, any such decline will negatively affect our revenue in future quarters. Accordingly, the effect of significant downturns in sales and market acceptance of our services, and potential changes in our retention rate may not be fully reflected in our operating results until future periods. Our subscription model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as revenue from new customers must be recognized over the applicable subscription term.

Our platform must integrate with a variety of operating systems and software applications that are developed by others, and if we are unable to ensure that our solutions interoperate with such systems and applications, our service may become less competitive, and our operating results may be harmed.

We offer our services across a variety of operating systems and through the internet. We are dependent on the interoperability of our platform with third-party mobile devices, desktop and mobile operating systems, as well as web browsers that we do not control. Any changes in such systems, devices or web browsers that degrade the functionality of our services or give preferential treatment to competitive services could adversely affect usage of our services. In order for us to deliver high quality services, it is important that these services work well with a range of operating systems, networks, devices, web browsers and standards that we do not control. In addition, because a substantial number of our users access our services through mobile devices, we are particularly dependent on the interoperability of our services with mobile devices and operating systems. We may not be successful in developing relationships with key participants in the mobile industry or in developing services that operate effectively with these operating systems, networks, devices, web browsers and standards. In the event that it is difficult for our users to access and use our services, our user growth may be harmed, and our business and operating results could be adversely affected.

We cannot accurately predict new subscription or expansion rates and the impact these rates may have on our future revenue and operating results.

In order for us to improve our operating results and continue to grow our business, it is important that we continue to attract new customers and expand deployment of our solution with existing customers. To the extent we are successful in increasing our customer base, we could incur increased losses because costs associated with new customers are generally incurred up front, while revenue is recognized ratably over the term of our subscription services. Alternatively, to the extent we are unsuccessful in increasing our customer base, we could also incur increased losses as costs associated with marketing programs and new products intended to attract new customers would not be offset by incremental revenue and cash flow. Furthermore, if our customers do not expand their deployment of our services, our revenue may grow more slowly than we expect. All of these factors can negatively impact our future revenue and operating results.

Our quarterly results may fluctuate significantly and may not fully reflect the underlying performance of our business.

Our quarterly operating results, including the levels of our revenue, billings, gross margin, profitability, cash flow and deferred revenue, may vary significantly in the future, and period-to-period comparisons of our operating results may not be meaningful. Accordingly, the results of any one quarter should not be relied upon as an indication of future performance. Our quarterly financial results may fluctuate as a result of a variety of factors, many of which are outside of our control and, as a result, may not fully reflect the underlying performance of our business. Fluctuations in quarterly results may negatively impact the value of our Class A common stock. Factors that may cause fluctuations in our quarterly financial results include, but are not limited to:

- our ability to attract new customers;
- our ability to convert users of our limited free versions to paying customers;
- the addition or loss of large customers, including through acquisitions or consolidations;
- our retention rate;
- the timing of revenue recognition;
- the amount and timing of operating expenses related to the maintenance and expansion of our business, operations and infrastructure;
- network outages or security breaches;
- general economic, industry and market conditions;
- increases or decreases in the number of features in our services or pricing changes upon any renewals of customer agreements;

16

- changes in our go to market strategies and/or pricing policies and/or those of our competitors;
- seasonal variations in our billings results and sales of our services, which have historically been highest in the fourth quarter of our fiscal year. We expect this trend to continue (and possibly be even more pronounced) for the fiscal year ending January 31, 2017;
- the timing and success of new services and service introductions by us and our competitors or any other change in the competitive dynamics of our industry, including consolidation or new entrants among competitors, customers or strategic partners; and
- the timing of expenses related to the development or acquisition of technologies or businesses and potential future charges for impairment of goodwill from acquired companies.

One of our marketing strategies is to offer a limited free version of our service, and we may not be able to realize the benefits of this strategy.

We offer a limited version of our service to users free of charge in order to promote additional usage, brand and product awareness, and adoption. Some users never convert from a free version to a paid version of our service. Our marketing strategy also depends in part on persuading users who use the free version of our service to convince decision-makers to purchase and deploy our service within their organization. To the extent that these users do not become, or lead others to become, paying customers, we will not realize the intended benefits of this marketing strategy, and our ability to grow our business and revenue may be harmed.

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

We have experienced significant growth in the number of users and the amount of data that our operations infrastructure supports. We seek to maintain sufficient excess capacity in our operations infrastructure to meet the needs of all of our customers. We also seek to maintain excess capacity to facilitate the rapid provisioning of new customer deployments and the expansion of existing customer deployments. In addition, we need to properly manage our technological operations infrastructure in order to support version control, changes in hardware and software parameters and the evolution of our services. However, the provision of new hosting infrastructure requires significant lead-time. We have experienced, and may in the future experience, website disruptions, outages and other performance problems. These problems may be caused by a variety of factors, including infrastructure changes, changes to our core services architecture, changes to our infrastructure necessitated by legal and compliance requirements governing the storage and transmission of data, human or software errors, viruses, security attacks, fraud, spikes in customer usage, primary and redundant hardware or connectivity failures, dependent data center and other service provider failures and denial of service issues. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time, which may harm our reputation and operating results. Furthermore, if we do not accurately predict our infrastructure requirements, our existing customers may experience service outages that may subject us to financial penalties, financial liabilities and customer losses. If our operations infrastructure fails to keep pace with increased sales, customers may experience delays as we seek to obtain additional capacity, which could adversely affect our reputation and our revenue.

Interruptions or delays in service from our third-party datacenter hosting facilities could impair the delivery of our services and harm our business.

We currently store our customers' information within two third-party datacenter hosting facilities located in Northern California. As part of our current disaster recovery arrangements, our production environment and metadata about all of our customers' data is currently replicated in near real time in a facility located in Las Vegas, Nevada. In addition, all of our customers' data is replicated on a third-party storage platform located in the U.S. Northwest region. These facilities are located in seismically active regions prone to earthquakes and are also vulnerable to damage or interruption from floods, fires, power loss, telecommunications failures and similar events. They may also be subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. Any damage to, or failure of, our systems generally could result in interruptions in our service. Interruptions in our service may reduce our revenue, cause us to issue credits or pay penalties, cause customers to terminate their subscriptions and adversely affect our renewal rate and our ability to attract new customers. Our business will also be harmed if our customers and potential customers believe our service is unreliable. Despite precautions taken at these facilities, the occurrence of a natural disaster, an act of terrorism, a decision to close the facilities without adequate notice or other unanticipated problems at these facilities could result in lengthy interruptions in our service. Even with the disaster recovery arrangements, we have never performed a full live failover of our services and, in an actual disaster, we could learn our recovery arrangements are not sufficient to address all possible scenarios and our service could be interrupted for a longer period than expected. As we continue to add datacenters and add capacity in our existing datacenters, we may move or transfer our data and our customers' data. Despite precautions taken during this process, any unsuccessful data transfers may impair the delivery of our service. Further, as we continue to grow and scale our business to meet the needs of our customers, additional burdens may be placed on our hosting facilities. In particular, a rapid expansion of our business could cause our network or systems to fail.

If we overestimate or underestimate our data center capacity requirements, our operating results could be adversely affected.

Only a small percentage of our customers that are organizations currently use our service as a way to organize all of their internal files. In particular, larger organizations and enterprises typically use our service to connect people and their most important information so that they are able to get work done more efficiently. However, over time, we may experience an increase in customers that look to Box as their complete content storage solution. The costs associated with leasing and maintaining our data centers already constitute a significant portion of our capital and operating expenses. We continuously evaluate our short- and long-term data center capacity requirements to ensure adequate capacity for new and existing customers while minimizing unnecessary excess capacity costs. If we overestimate the demand for our cloud-based storage service and therefore secure excess data center capacity, our operating margins could be reduced. If we underestimate our data center capacity requirements, we may not be able to service the expanding needs of new and existing customers and may be required to limit new customer acquisition, which would impair our revenue growth. Furthermore, regardless of our ability to appropriately manage our data center capacity requirements, an increase in the number of organizations, in particular large businesses and enterprises, that use our service as a larger component of their content storage requirements could result in lower gross and operating margins or otherwise have an adverse impact on our financial condition and operating results.

We depend on highly skilled personnel to grow and operate our business, and if we are unable to hire, retain and motivate our personnel, we may not be able to grow effectively.

Our future success will depend upon our continued ability to identify, hire, develop, motivate and retain highly skilled personnel, including senior management, engineers, designers, product managers, sales representatives, and customer support representatives. Our ability to execute efficiently is dependent upon contributions from our employees, including our senior management team and, in particular, Aaron Levie, our co-founder, Chairman and Chief Executive Officer. In addition, occasionally, there may be changes in our senior management team that may be disruptive to our business. If our senior management team, including any new hires that we may make, fails to work together effectively and to execute on our plans and strategies on a timely basis, our business could be harmed.

Our growth strategy also depends on our ability to expand our organization with highly skilled personnel. Identifying, recruiting, training and integrating qualified individuals will require significant time, expense and attention. In addition to hiring new employees, we must continue to focus on retaining our best employees. Many of our employees may be able to receive significant proceeds from sales of our equity in the public markets, which may reduce their motivation to continue to work for us. Competition for highly skilled personnel is intense, particularly in the San Francisco Bay Area, where our headquarters are located. We may need to invest significant amounts of cash and equity to attract and retain new employees, and we may never realize returns on these investments. If we are not able to effectively add and retain employees, our ability to achieve our strategic objectives will be adversely impacted, and our business will be harmed.

We may be sued by third parties for alleged infringement of their proprietary rights.

There is considerable patent and other intellectual property development activity in our industry. Our success depends on our not infringing upon the valid intellectual property rights of others. Our competitors, as well as a number of other entities, including non-practicing entities, and individuals, may own or claim to own intellectual property relating to our industry.

For example, on June 5, 2013, Open Text S.A. (Open Text) filed a lawsuit against us in U.S. District Court, Eastern District of Virginia, alleging that our core cloud software and Box Edit application directly and indirectly infringe 12 patents in three patent families that Open Text acquired through its acquisition of various companies. Open Text sought preliminary and permanent injunctions against infringement, treble damages, and attorneys' fees. On February 13, 2015, a jury returned a verdict for Open Text in the amount of approximately $4.9 million. The Court found no willful infringement of the asserted claims and foreclosed Open Text's request for a permanent injunction since the jury returned a lump-sum award. On February 19, 2015, Open Text filed a notice of appeal to the United States Court of Appeals for the Federal Circuit from the Court's Order granting our motion for judgment of invalidity of the Groupware Patents. On March 9, 2015, Open Text filed a first amended notice of appeal from additional orders by the Court. On August 19, 2015, following a July 1, 2015 hearing in which portion of the jury's verdict were challenged, the Court entered judgment in favor of Open Text with respect to infringement of the asserted claims of the File Synchronization patents in the amount of approximately $4.9 million plus pre-judgment interest, and with respect to validity of the asserted claims of the File Synchronization patents. The Court also entered judgment in our favor with respect to invalidity of the asserted claims of the Groupware Patents, and no willful infringement with respect to the asserted claims of the File Synchronization patents. We filed a notice of appeal on August 28, 2015, challenging a number of findings in the final judgment entered on August 19, 2015, including the jury's finding that the Synchronization Patents were infringed and not invalid.

We intend to continue to defend the lawsuit vigorously. See Item 3. "Legal Proceedings" for additional information related to this litigation. Any adverse outcome of the appeal, licenses, settlements or unfavorable jury verdicts could have an adverse effect on both our financial results and financial position. Further, regardless of who prevails, intellectual property cases can be costly and time-consuming, divert the attention of our management and key personnel from our business operations and dissuade potential customers from purchasing our solution, which would also materially harm our business. During the course of litigation, we anticipate announcements of the results of hearings and motions, and other interim developments related to the litigation. If securities analysts or investors regard these announcements as negative, the market price of our common stock may decline.

From time to time, certain other third parties have claimed that we are infringing upon their intellectual property rights, and we may be found to be infringing upon such rights. In addition, we cannot assure you that actions by other third parties alleging infringement by us of third-party patents will not be asserted or prosecuted against us. In the future, others may claim that our services and underlying technology infringe or violate their intellectual property rights. However, we may be unaware of the intellectual property rights that others may claim cover some or all of our technology or services. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, prevent us from offering our services, or require that we comply with other unfavorable terms. We may also be obligated to indemnify our customers or business partners or pay substantial settlement costs, including royalty payments, in connection with any such claim or litigation and to obtain licenses, modify services, or refund fees, which could be costly. Even if we were to prevail in such a dispute, any litigation regarding our intellectual property could be costly and time consuming and divert the attention of our management and key personnel from our business operations.

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

Our success and ability to compete depend in part on our intellectual property. As of January 31, 2016, we had 26 issued patents in the U.S., 15 issued patents in Great Britain, 2 issued patents in Canada, and 84 pending patent applications in the U.S. and 16 pending patent applications internationally. We primarily rely on copyright, trade secret and trademark laws, trade secret protection and confidentiality or license agreements with our employees, customers, partners and others to protect our intellectual property rights. However, the steps we take to protect our intellectual property rights may be inadequate. We may not be able to obtain any further patents, and our pending applications may not result in the issuance of patents. We have issued patents and pending patent applications outside the U.S., and we may have to expend significant resources to obtain additional patents as we expand our international operations.

In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect these rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Accordingly, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property. Our failure to secure, protect and enforce our intellectual property rights could materially adversely affect our brand and adversely impact our business.

We rely on third parties for certain financial and operational services essential to our ability to manage our business. A failure or disruption in these services could materially and adversely affect our ability to manage our business effectively.

We rely on third parties for certain essential financial and operational services. Traditionally, the vast majority of these services have been provided by large enterprise software vendors who license their software to customers. However, we receive many of these services on a subscription basis from various software-as-a-service companies that are smaller and have shorter operating histories than traditional software vendors. Moreover, these vendors provide their services to us via a cloud-based model instead of software that is installed on our premises. As a result, we depend upon these vendors providing us with services that are always available and are free of errors or defects that could cause disruptions in our business processes, and any failure by these vendors to do so would adversely affect our ability to operate and manage our operations.

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

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

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

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

We focus on product innovation and user engagement rather than short-term operating results.

We focus heavily on developing and launching new and innovative products and features, as well as on improving the user experience for our services. We also focus on growing the number of Box users and paying organizations through direct field sales, direct inside sales, indirect channel sales and through word-of-mouth by individual users, some of whom use our services at no cost. We prioritize innovation and the experience for users on our platform, as well as the growth of our user base, over short-term operating results. We frequently make product and service decisions that may reduce our short-term operating results if we believe that the decisions are consistent with our goals to improve the user experience and to develop innovative features that we feel our users desire. These decisions may not be consistent with the short-term expectations of investors and may not produce the long-term benefits that we expect.

We provide service level commitments under our subscription agreements. If we fail to meet these contractual commitments, we could be obligated to provide credits or refunds for prepaid amounts related to unused subscription services or face subscription terminations, which could adversely affect our revenue. Furthermore, any failure in our delivery of high-quality customer support services may adversely affect our relationships with our customers and our financial results.

Our subscription agreements with customers provide certain service level commitments. If we are unable to meet the stated service level commitments or suffer periods of downtime that exceed the periods allowed under our customer agreements, we may be obligated to provide these customers with service credits which could significantly impact our revenue in the period in which the downtime occurs and the credits could be due. We could also face subscription terminations, which could significantly impact both our current and future revenue. Any extended service outages could also adversely affect our reputation, which would also impact our future revenue and operating results.

Our customers depend on our customer success organization to resolve technical issues relating to our services. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for support services. Increased customer demand for these services, without corresponding revenue, could increase costs and adversely affect our operating results. In addition, our sales process is highly dependent on the ease of use of our services, on our reputation and on positive recommendations from our existing customers. Any failure to maintain high-quality customer support, or a market perception that we do not maintain high-quality support, could adversely affect our reputation and our ability to sell our services to existing and prospective customers.

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

Our core services and our expanded offerings such as Box KeySafe, Box Governance and Box Platform are becoming increasingly mission-critical to our customers' internal and external business operations, as well as their ability to comply with legal requirements and regulations such as FINRA and HIPAA. These services and offerings are inherently complex and may contain material defects or errors. Any defects either in functionality or that cause interruptions in the availability of our services, as well as user error, could result in:

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

The costs incurred in correcting any material defects or errors might be substantial and could adversely affect our operating results.

21

Because of the large amount of data that we collect and manage, it is possible that hardware failures, errors in our systems or user errors could result in data loss or corruption that our customers regard as significant. Furthermore, the availability or performance of our services could be adversely affected by a number of factors, including customers' inability to access the internet, the failure of our network or software systems, security breaches or variability in customer traffic for our services. We may be required to issue credits or refunds for prepaid amounts related to unused services or otherwise be liable to our customers for damages they may incur resulting from some of these events. In addition to potential liability, if we experience interruptions in the availability of our services, our reputation could be adversely affected, which could result in the loss of customers. For example, our customers access our services through their internet service providers. If a service provider fails to provide sufficient capacity to support our services or otherwise experiences service outages, such failure could interrupt our customers' access to our services, adversely affect their perception of our services' reliability and consequently reduce our revenue.

Our errors and omissions insurance may be inadequate or may not be available in the future on acceptable terms, or at all. In addition, our policy may not cover all claims made against us, and defending a lawsuit, regardless of its merit, could be costly and divert management's attention.

Furthermore, we will need to ensure that our services can scale to meet the needs of our customers, particularly as we continue to focus on larger enterprise customers. If we are not able to provide our services at the scale required by our customers, potential customers may not adopt our solution and existing customers may not renew their agreements with us.

If the prices we charge for our services are unacceptable to our customers, our operating results will be harmed.

As the market for our services matures, or as new or existing competitors introduce new products or services that compete with ours, we may experience pricing pressure and be unable to renew our agreements with existing customers or attract new customers at prices that are consistent with our pricing model and operating budget. If this were to occur, it is possible that we would have to change our pricing model or reduce our prices, which could harm our revenue, gross margin and operating results.

Sales to customers outside the United States or with international operations expose us to risks inherent in international sales.

A key element of our growth strategy is to expand our international operations and develop a worldwide customer base. To date, we have not realized a substantial portion of our revenue from customers outside the United States. Operating in international markets requires significant resources and management attention and will subject us to regulatory, economic, geographic and political risks that are different from those in the United States. Because of our limited experience with international operations and significant differences between international and U.S. markets, our international expansion efforts may not be successful in creating demand for our services outside of the United States or in effectively selling subscriptions to our services in all of the international markets we enter. In addition, we will face specific risks in doing business internationally that could adversely affect our business, including:

- the need to localize and adapt our services for specific countries, including translation into foreign languages and associated expenses;
- laws relating to privacy, data protection and data transfer that, among other things, could require that customer data be stored and processed in a designated territory;
- difficulties in staffing and managing foreign operations;
- different pricing environments, longer sales cycles and longer accounts receivable payment cycles and collections issues;
- new and different sources of competition;
- weaker protection for intellectual property and other legal rights than in the United States and practical difficulties in enforcing intellectual property and other rights outside of the United States;

22

- laws and business practices favoring local competitors;
- compliance challenges related to the complexity of multiple, conflicting and changing governmental laws and regulations, including employment, tax, privacy and data protection laws and regulations;
- increased financial accounting and reporting burdens and complexities;
- restrictions on the transfer of funds;
- adverse tax consequences; and
- unstable regional, economic and political conditions.

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

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

We will need to continue to expand and optimize our sales infrastructure in order to grow our customer base and our business. We plan to continue to expand our direct sales force, both domestically and internationally. Identifying and recruiting qualified personnel and training them requires significant time, expense and attention. Our business may be adversely affected if our efforts to expand and train our direct sales force do not generate a corresponding increase in revenue. If we are unable to hire, develop and retain talented sales personnel or if new direct sales personnel are unable to achieve desired productivity levels in a reasonable period of time, we may not be able to realize the intended benefits of this investment or increase our revenue.

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

If we are unable to maintain and promote our brand, our business and operating results may be harmed.

We believe that maintaining and promoting our brand is critical to expanding our customer base. Maintaining and promoting our brand will depend largely on our ability to continue to provide useful, reliable and innovative services, which we may not do successfully. We may introduce new features, products, services or terms of service that our customers do not like, which may negatively affect our brand and reputation. Additionally, the actions of third parties may affect our brand and reputation if customers do not have a positive experience using third-party apps or other services that are integrated with Box. Maintaining and enhancing our brand may require us to make substantial investments, and these investments may not achieve the desired goals. If we fail to successfully promote and maintain our brand or if we incur excessive expenses in this effort, our business and operating results could be adversely affected.

Our growth depends in part on the success of our strategic relationships with third parties.

In order to grow our business, we anticipate that we will continue to depend on our relationships with third parties, such as alliance partners, distributors, system integrators and developers. For example, we have entered into agreements with partners such as AT&T, IBM, Microsoft and Salesforce to market, resell, integrate with or endorse our services. Identifying partners and resellers, and negotiating and documenting relationships with them, requires significant time and resources. Also, we depend on our ecosystem of system integrators, partners and developers to create applications that will integrate with our platform or permit us to integrate with their product offerings. Our competitors may be effective in providing incentives to third parties to favor their products or services, or to prevent or reduce subscriptions to our services. In some cases, we also compete directly with our partners' product offerings, and if these partners stop reselling or endorsing our services or impede our ability to integrate our services with their products, our business and operating results could be adversely affected. In addition, acquisitions of our partners by our competitors could result in a decrease in the number of current and potential customers, as our partners may no longer facilitate the adoption of our services by potential customers.

If we are unsuccessful in establishing or maintaining our relationships with third parties, our ability to compete in the marketplace or to grow our revenue could be impaired and our operating results may suffer. Even if we are successful, we cannot assure you that these relationships will result in increased customer usage of our services or increased revenue.

Furthermore, if our partners and resellers fail to perform as expected, our reputation may be harmed and our business and operating results could be adversely affected.

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

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

- we cannot provide any assurance that these third-party applications and products meet the same quality standards that we apply to our own development efforts, and to the extent that they contain bugs or defects, they may create disruptions in our customers' use of our services or negatively affect our brand;
- we do not currently provide support for software applications developed by our partner ecosystem, and users may be left without support and potentially cease using our services if these system integrators and developers do not provide adequate support for their applications;
- we cannot provide any assurance that we will be able to successfully integrate our services with our partners' products or that our partners will continue to provide us the right to do so; and
- these system integrators, partners and developers may not possess the appropriate intellectual property rights to develop and share their applications.

Many of these risks are not within our control to prevent, and our brand may be damaged if these applications do not perform to our users' satisfaction and that dissatisfaction is attributed to us.

Our company culture has contributed to our success, and if we cannot maintain this culture as we grow, we could lose the innovation, creativity and teamwork fostered by our culture, and our business may be harmed.

We believe that our culture has been and will continue to be a key contributor to our success. From January 31, 2012 to January 31, 2016, we increased the size of our workforce by 1,001 employees, and we expect to continue to hire as we expand. If we do not continue to develop our company culture or maintain our core values as we grow and evolve both in the United States and internationally, we may be unable to foster the innovation, creativity and teamwork we believe we need to support our growth.

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

We use open source software in our services and will use open source software in the future. In addition, we regularly contribute software source code to open source projects under open source licenses or release internal software projects under open source licenses, and anticipate doing so in the future. The terms of many open source licenses to which we are subject have not been interpreted by U.S. or foreign courts, and there is a risk that open source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to provide or distribute our services. Additionally, we may from time to time face claims from third parties claiming ownership of, or demanding release of, the open source software or derivative works that we developed using such software, which could include our proprietary source code, or otherwise seeking to enforce the terms of the applicable open source license. These claims could result in litigation and could require us to make our software source code freely available, purchase a costly license or cease offering the implicated services unless and until we can re-engineer them to avoid infringement. This re-engineering process could require significant additional research and development resources, and we may not be able to complete it successfully. In addition to risks related to license requirements, use of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of software. Additionally, because any software source code we contribute to open source projects is publicly available, our ability to protect our intellectual property rights with respect to such software source code may be limited or lost entirely, and we are unable to prevent our competitors or others from using such contributed software source code. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could have a negative effect on our business, financial condition and operating results.

Future acquisitions and investments could disrupt our business and harm our financial condition and operating results.

Our success will depend, in part, on our ability to expand our services and grow our business in response to changing technologies, customer demands, and competitive pressures. In some circumstances, we may choose to do so through the acquisition of complementary businesses and technologies rather than through internal development, including, for example, our acquisitions of Verold, a cloud-based 3D model viewer and editor to make it easy for businesses to create engaging and immersive content experiences for the web and mobile, Subspace, a company that helps IT departments enable employee productivity with secure collaboration and access to data on any device, and MedXT, a company with technology that allows us to display medical images (DICOM) files in an online and mobile viewer. The identification of suitable acquisition candidates can be difficult, time-consuming and costly, and we may not be able to successfully complete identified acquisitions. The risks we face in connection with acquisitions include:

- diversion of management time and focus from operating our business to addressing acquisition integration challenges;
- coordination of research and development and sales and marketing functions;
- retention of key employees from the acquired company;
- cultural challenges associated with integrating employees from the acquired company into our organization;
- integration of the acquired company’s accounting, management information, human resources and other administrative systems;
- the need to implement or improve controls, procedures, and policies at a business that prior to the acquisition may have lacked effective controls, procedures and policies;
- liability for activities of the acquired company before the acquisition, including intellectual property infringement claims, violations of laws, commercial disputes, tax liabilities and other known and unknown liabilities;

- unanticipated write-offs or charges; and
- litigation or other claims in connection with the acquired company, including claims from terminated employees, customers, former stockholders or other third parties.

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

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

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

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

Our existing credit agreement contains certain operating and financial restrictions and covenants, including the prohibition of the incurrence of certain indebtedness and liens, the prohibition of certain investments, restrictions against certain merger and consolidation transactions, certain restrictions against the disposition of assets and the requirement to maintain a minimum amount of current assets. These restrictions and covenants, as well as those contained in any future financing agreements that we may enter into, may restrict our ability to finance our operations, engage in, expand or otherwise pursue our business activities and strategies. Our ability to comply with these covenants may be affected by events beyond our control, and breaches of these covenants could result in a default under the credit agreement and any future financial agreements that we may enter into. If not waived, defaults could cause our outstanding indebtedness under our credit agreement and any future financing agreements that we may enter into to become immediately due and payable.

Adverse economic conditions may negatively impact our business.

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

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

The future success of our business depends upon the continued use of the internet as a primary medium for commerce, communication and business services. Federal, state or foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws or regulations affecting the use of the internet as a commercial medium. Changes in these laws or regulations could require us to modify our services in order to comply with these changes. In addition, government agencies or private organizations may begin to impose taxes, fees or other charges for accessing the internet or commerce conducted via the internet. These laws or charges could limit the growth of internet-related commerce or communications generally, or result in reductions in the demand for internet-based services such as ours.

In addition, the use of the internet and, in particular, the cloud as a business tool could be adversely affected due to delays in the development or adoption of new standards and protocols to handle increased demands of internet activity, security, reliability, cost, ease of use, accessibility, and quality of service. The performance of the internet and its acceptance as a business tool have been adversely affected by “viruses,” “worms” and similar malicious programs, and the internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure. If the use of the internet is adversely affected by these issues, demand for our services could suffer.

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

Our services incorporate certain third-party software obtained under licenses from other companies. We anticipate that we will continue to rely on such third-party software and development tools in the future. Although we believe that there are commercially reasonable alternatives to the third-party software we currently license, this may not always be the case, or it may be difficult or costly to replace. In addition, integration of the software used in our services with new third-party software may require significant work and require substantial investment of our time and resources. Also, to the extent that our services depend upon the successful operation of third-party software in conjunction with our software, any undetected errors or defects in this third-party software could prevent the deployment or impair the functionality of our services, delay new services introductions, result in a failure of our services, and injure our reputation. Our use of additional or alternative third-party software would require us to enter into additional license agreements with third parties.

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

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

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

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

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

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

As of January 31, 2016, we had U.S. federal net operating loss carryforwards of approximately $423.7 million, state net operating loss carryforwards of approximately $392.3 million, and foreign net operating loss carryforwards of approximately $125.6 million. Under Sections 382 and 383 of Internal Revenue Code of 1986, as amended (Code), if a corporation undergoes an “ownership change,” the corporation’s ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes, such as research tax credits, to offset its post-change income and taxes may be limited. In general, an “ownership change” occurs if there is a cumulative change in our ownership by “5% shareholders” that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws. We have in the past experienced an ownership change which has impacted our ability to fully realize the benefit of these net operating loss carryforwards. If we experience additional ownership changes as a result of future transactions in our stock, then we may be further limited in our ability to use our net operating loss carryforwards and other tax assets to reduce taxes owed on the net taxable income that we earn. Any such limitations on the ability to use our net operating loss carryforwards and other tax assets could adversely impact our business, financial condition and operating results.

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

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

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

We may be subject to additional tax liabilities.

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

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

Generally accepted accounting principles (GAAP) in the United States are subject to interpretation by the Financial Accounting Standards Board, the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and could affect the reporting of transactions completed before the announcement of a change.

Risks Related to Ownership of Our Class A Common Stock

The dual class structure of our common stock has the effect of concentrating voting control with those stockholders who held our capital stock prior to the completion of our initial public offering, including our executive officers, employees and directors and their affiliates, which limits your ability to influence the outcome of important transactions, including a change in control.

Our Class B common stock has 10 votes per share, and our Class A common stock has one vote per share. Stockholders who held shares of our Class B common stock as of January 31, 2016, including our executive officers, employees and directors and their affiliates, collectively held approximately 95.1% of the voting power of our outstanding capital stock as of such date. Because of the ten-to-one voting ratio between our Class B common stock and Class A common stock, the holders of our Class B common stock collectively continue to control a majority of the combined voting power of our capital stock and therefore are able to control all matters submitted to our stockholders for approval so long as the shares of our Class B common stock represent at least 9.1% of all outstanding shares of our Class A common stock and Class B common stock. These holders of our Class B common stock may also have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. This concentrated control may have the effect of delaying, preventing or deterring a change in control of our company, could deprive our stockholders of an opportunity to receive a premium for their capital stock as part of a sale of our company and might ultimately affect the market price of our Class A common stock.

Transfers by holders of our Class B common stock will generally result in those shares converting into shares of our Class A common stock, subject to limited exceptions, such as certain transfers effected for estate planning or charitable purposes. The conversion of shares of our Class B common stock into shares of our Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term. If, for example, Messrs. Levie, Levin and Smith retain a significant portion of their holdings of our Class B common stock for an extended period of time, they could control a significant portion of the voting power of our capital stock for the foreseeable future. As board members, Messrs. Levie, Levin and Smith each owe a fiduciary duty to our stockholders and must act in good faith and in a manner they reasonably believe to be in the best interests of our stockholders. As stockholders, Messrs. Levie, Levin and Smith are entitled to vote their shares in their own interests, which may not always be in the interests of our stockholders generally.

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

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

- creating a classified board of directors whose members serve staggered three-year terms;
- authorizing “blank check” preferred stock, which could be issued by our board of directors without stockholder approval and may contain voting, liquidation, dividend and other rights superior to our common stock;
- limiting the liability of, and providing indemnification to, our directors and officers;
- limiting the ability of our stockholders to call and bring business before special meetings;
- requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our board of directors;
- controlling the procedures for the conduct and scheduling of board directors and stockholder meetings; and
- authorizing two classes of common stock, as discussed above.

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

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

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

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

The market price of our Class A common stock has been and may continue to be subject to wide fluctuations in response to various factors, some of which are beyond our control and may not be related to our operating performance. For example, from February 1, 2015 through January 31, 2016, the closing price of our Class A common stock ranged from $9.40 per share to $20.99 per share. In addition to the factors discussed in this “Risk Factors” section and elsewhere in this Annual Report on Form 10-K, factors that could cause fluctuations in the market price of our Class A common stock include the following:

- price and volume fluctuations in the overall stock market from time to time;
- volatility in the market prices and trading volumes of technology stocks;
- changes in operating performance and stock market valuations of other technology companies generally or those in our industry in particular;
- sales of shares of our Class A common stock by us or our stockholders;
- failure of securities analysts to maintain coverage and/or to provide accurate consensus results of us, changes in financial estimates by securities analysts who follow us, or our failure to meet these estimates or the expectations of investors;
- the financial projections we may provide to the public, any changes in those projections or our failure to meet those projections;
- announcements by us or our competitors of new products or services;
- the public’s reaction to our press releases, other public announcements and filings with the SEC;

- rumors and market speculation involving us or other companies in our industry;
- actual or anticipated changes in our operating results or fluctuations in our operating results;
- actual or anticipated developments in our business, our competitors' businesses or the competitive landscape generally;
- litigation involving us, our industry or both, or investigations by regulators into our operations or those of our competitors;
- developments or disputes concerning our intellectual property or other proprietary rights;
- announced or completed acquisitions of businesses or technologies by us or our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- any significant change in our management; and
- general economic conditions and slow or negative growth of our markets.

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

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

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

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

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

Item 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

Item 2. PROPERTIES

Our corporate headquarters, which includes research and development, sales, marketing, business operations and executive offices, is located in Redwood City, California. It consists of approximately 340,000 square feet of space under a lease that expires in fiscal 2029. We sublease a portion of this space.

We also lease offices in San Francisco, California; Austin, Texas; New York, New York; Amsterdam, Netherlands; London, England; Paris, France; Stockholm, Sweden; and Tokyo, Japan. We intend to procure additional space as we add employees in current locations and expand geographically. We believe that our facilities

are adequate to meet our needs for the immediate future, and that, should it be needed, suitable additional space will be available to accommodate expansion of our operations.

Item 3. LEGAL PROCEEDINGS

On June 5, 2013, Open Text S.A. (Open Text) filed a lawsuit against us in U.S. District Court, Eastern District of Virginia, alleging that our core cloud software and Box Edit application directly and indirectly infringe 12 patents in three patent families that Open Text acquired through its acquisition of various companies: U.S. Patent No. 7,062,515, titled “System and Method for the Synchronization of a File in a Cache,” U.S. Patent No. 7,590,665, titled “System and Method for the Synchronization of a File in a Cache,” and U.S. Patent No. 8,117,152, titled “System and Method for the Synchronization of a File in a Cache,” (collectively, the File Synchronization Patents), U.S. Patent No. 6,223,177, titled “Network Based Groupware System,” U.S. Patent No. 6,917,962, titled “Web-Based Groupware System,” U.S. Patent No. 7,287,055, titled “Web-Based Groupware System,” U.S. Patent No. 7,299,258, titled “Web-Based Groupware System,” U.S. Patent No. 7,320,018, titled “Web-Based Groupware System,” U.S. Patent No. 7,734,694, titled “Web-Based Groupware System,” and U.S. Patent No. 8,176,122, titled “Web-Based Groupware System,” (collectively, the “Groupware Patents”), and U.S. Patent No. 7,647,372, titled “Method and System for Facilitating Marketing Dialogues,” and U.S. Patent No. 7,975,007, titled “Method and System for Facilitating Marketing Dialogues,” (collectively, the “Dialog Patents”). On October 18, 2013, the Virginia court granted our motion to transfer and the case was transferred to the U.S. District Court for the Northern District of California. Open Text sought preliminary and permanent injunctions against infringement, treble damages, and attorneys’ fees.

On September 13, 2013, Open Text filed a motion for preliminary injunction seeking to enjoin us from providing our Box Edit feature to companies with more than 100 users. On April 9, 2014, the U.S. District Court for the Northern District of California denied Open Text’s motion for preliminary injunction, finding that (1) Open Text failed to meet its burden to show irreparable harm, (2) Open Text failed to show a reasonable likelihood of success on the merits of its case, and (3) we have raised a substantial question as to the validity of the patents asserted during the preliminary injunction proceedings.

On September 19, 2014, in a related action, Open Text S.A. v. Alfresco Software Ltd., et al., Case No. 13-cv-04843-JD, the Court granted the Alfresco Defendants’ motion to dismiss with prejudice the asserted claims of the Dialog Patents, finding the asserted claims of the Dialog Patents patent ineligible under 35 U.S.C. § 101. On January 20, 2015, the Court entered an Order granting our motion for judgment on the pleadings as to the asserted patent claims of the Groupware Patents. The Court found that the asserted patent claims of the Groupware Patents are invalid because they claim non-patentable subject matter. As a result of the Court’s January 20, 2015 order and other pretrial orders, the lawsuit was narrowed to four total claims across the three remaining File Synchronization Patents accusing the Company’s Box Edit feature and Box Android application.

Trial commenced on February 2, 2015. On February 13, 2015, the jury returned a verdict, finding the asserted claims of the File Synchronization patents infringed and were not invalid. The jury awarded damages in favor of Open Text in a lump sum and fully paid-up royalty in the amount of approximately $4.9 million. The Court found no willful infringement of the asserted claims and foreclosed Open Text’s request for a permanent injunction since the jury returned a lump-sum award. On February 19, 2015, Open Text filed a notice of appeal to the United States Court of Appeals for the Federal Circuit from the Court’s Order granting our motion for judgment of invalidity of the Groupware Patents. On March 9, 2015, Open Text filed a first amended notice of appeal from additional orders by the Court. On August 19, 2015, following a July 1, 2015 hearing in which portions of the jury’s verdict were challenged, the Court entered judgment in favor of Open Text with respect to infringement of the asserted claims of the File Synchronization patents in the amount of approximately $4.9 million plus pre-judgment interest, and with respect to validity of the asserted claims of the File Synchronization patents. The Court also entered judgment in our favor with respect to invalidity of the asserted claims of the Groupware Patents, and no willful infringement with respect to the asserted claims of the File Synchronization patents. We filed a notice of appeal on August 28, 2015, challenging a number of findings in the final judgment entered on August 19, 2015, including the jury’s finding that the

Synchronization Patents were infringed and not invalid. On February 4, 2016, Open Text filed its opening brief. Our opening brief is due on April 18, 2016. Open Text's responsive brief is due on May 31, 2016 and our reply brief is due on June 14, 2016. The Court has not yet set a date for oral argument. While we intend to continue to defend the lawsuit vigorously and continue to believe we have valid defenses to Open Text’s claims, an adverse outcome to the litigation could result in a material adverse effect on our business.

In addition, from time to time, we are a party to litigation and subject to claims that arise in the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, we currently believe that the final outcome of these ordinary course matters will not have a material adverse effect on our business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 4. MINE SAFETY DISCLOSURE

Not applicable.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information for Common Stock

Our Class A common stock began trading on the New York Stock Exchange under the symbol "BOX" on January 23, 2015. Prior to that date, there was no public trading market for shares of our Class A common stock. The following table sets forth the high and low sales price per share of our Class A common stock as reported on the New York Stock Exchange for the period indicated:

	High	Low
Year Ended January 31, 2016		
Fourth Quarter	$14.38	$9.40
Third Quarter	$15.53	$11.09
Second Quarter	$19.35	$16.29
First Quarter	$20.99	$16.66
Year Ended January 31, 2015		
Fourth Quarter (from January 23, 2015)	$24.73	$18.22

Holders of Record

As of February 29, 2016, there were 204 holders of record of our Class A common stock and 312 holders of record of our Class B common stock. Because many of our shares of Class A common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial owners of our Class A common stock represented by these record holders.

Dividend Policy

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any dividends on our capital stock in the foreseeable future. Any future determination to declare dividends will be made at the discretion of our board of directors, subject to applicable laws, and will depend on our financial condition, operating results, capital requirements, general business conditions and other factors that our board of directors may deem relevant.

Unregistered Sales of Equity Securities

None.

Issuer Purchases of Equity Securities

None.

Performance Graph

This performance graph shall not be deemed “soliciting material” or to be “filed” with the SEC for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of Box, Inc. under the Securities Act of 1933, as amended, or the Exchange Act.

The following graph compares the cumulative total return to stockholders on our common stock relative to the cumulative total returns of the Standard & Poor’s 500 Index, or S&P 500, and the NASDAQ Computer Index. An investment of $100 (with reinvestment of all dividends) is assumed to have been made in our Class A common stock and in each index on January 23, 2015, the date our Class A common stock began trading on the NYSE, and its relative performance is tracked through January 31, 2016. The returns shown are based on historical results and are not intended to suggest future performance.

Company/Index	Base Period 01/23/2015	01/31/2015	04/30/2015	07/31/2015	10/31/2015	01/31/2016
Box, Inc.	$ 100	$ 81	$ 74	$ 70	$ 54	$ 46
S&P 500 Index	100	97	102	104	103	97
NASDAQ Computer Index	100	96	102	103	107	101

Item 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following selected historical consolidated financial data should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of our consolidated financial statements and the related notes included in Item 8 of this Annual Report on Form 10-K. The historical results are not necessarily indicative of the results to be expected in any future period

	Year Ended January 31,		
	2016	2015	2014
	(in thousands)		
Consolidated Statements of Operations Data:			
Revenue	$302,704	$216,440	$124,192
Cost of revenue(1)(2)	87,100	47,273	25,974
Gross profit	215,604	169,167	98,218
Operating expenses:			
Research and development(2)	102,500	66,402	45,967
Sales and marketing(2)	242,184	207,749	171,188
General and administrative(1)(2)	71,923	61,672	39,843
Total operating expenses	416,607	335,823	256,998
Loss from operations	(201,003)	(166,656)	(158,780)
Remeasurement of redeemable convertible preferred stock warrant liability	—	126	(8,477)
Interest expense, net	(1,157)	(2,009)	(3,705)
Other income (expense), net	(98)	(257)	(26)
Loss before provision (benefit) for income taxes	(202,258)	(168,796)	(170,988)
Provision (benefit) for income taxes	690	(569)	(2,431)
Net loss	(202,948)	(168,227)	(168,557)
Accretion of redeemable convertible preferred stock	—	(11,503)	(341)
Deemed dividend on the conversion of Series F redeemable convertible preferred stock	—	(2,262)	—
Net loss attributable to common stockholders	$(202,948)	$(181,992)	$(168,898)
Net loss per share attributable to common stockholders, basic and diluted	$(1.67)	$(11.48)	$(14.89)
Weighted-average shares used to compute net loss per share attributable to common stockholders, basic and diluted(3)	121,240	15,854	11,341

(1) Includes intangible assets amortization as follows:

Year Ended January 31,

	2016	2015	2014
	(in thousands)		
Cost of revenue	$5,443	$3,455	$1,813
General and administrative	154	169	174
Total intangible assets amortization	$5,597	$3,624	$1,987

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

	Year Ended January 31,		
	2016	2015	2014
	(in thousands)		
Cost of revenue	$4,664	$1,492	$450
Research and development	24,696	11,767	3,154
Sales and marketing	19,530	11,616	5,017
General and administrative	10,614	7,054	3,128
Total stock-based compensation	$59,504	$31,929	$11,749

(3) Upon the closing of Box's initial public offering on January 28, 2015, 88.1 million shares of Box's redeemable convertible preferred stock were converted and reclassified to Box's common stock, in addition, 85,354 shares of Box's common stock were issued upon the net exercise of a warrant to purchase shares of Box's redeemable convertible preferred stock.

	January 31,		
	2016	2015	2014
	(in thousands)		
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$185,741	$330,436	$108,851
Working capital	69,528	240,176	44,289
Total assets	497,488	492,666	235,429
Deferred revenue, current and non-current	186,413	120,057	90,072
Debt, current and non-current	40,000	40,000	34,000
Redeemable convertible preferred stock warrant liability, current and non-current	—	—	1,346
Redeemable convertible preferred stock	—	—	393,217
Total stockholders' equity (deficit)	137,901	268,129	(332,512)

37

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Overview

Box provides an enterprise content management platform that enables organizations of all sizes to securely manage enterprise content while allowing easy, secure access and sharing of this content from anywhere, on any device. With our Software-as-a-Service (SaaS) cloud-based platform, users can collaborate on content both internally and with external parties, automate content-driven business processes, develop custom applications, and implement data protection, security and compliance features to comply with internal policies and industry regulations. Our platform enables people to securely view, share and collaborate on content, across multiple file formats and media types, without having to open a desktop application or download the content to their mobile device. The software integrates with leading enterprise business applications, and is compatible with multiple application environments, operating systems and devices, ensuring that workers have access to their critical business content whenever and wherever they need it.

We were founded and publicly launched our platform in 2005 with a simple but powerful idea: to make it incredibly easy for people to securely manage, share and collaborate on their most important content online. In 2006, we introduced a free version of our product in order to rapidly grow our user base, and we surpassed one million registered users by July 2007. As users began to bring our solution into the workplace, we learned that businesses were eager for a solution to empower user-friendly content sharing and collaboration in a secure, manageable way. Starting in 2007, we began enhancing our platform to serve businesses and large enterprises, which meant expanding our business functionality with features such as our administrative console, identity integration, activity reporting and full-text search. To further satisfy the requirements of IT departments in large organizations, we began to invest heavily in enhancing the security of our platform. Also in 2007, we began to build an enterprise sales team. The continual evolution of our platform features allowed our sales team to sell into increasingly larger organizations. To empower users to work securely from anywhere, we built native applications for all major mobile platforms. The introduction of our iPad application in 2010 further accelerated enterprise adoption of our platform. In 2012, we introduced our Box OneCloud platform and our Box Embed framework to encourage developers and independent software vendors (ISVs) to build powerful applications that connect to Box, furthering the reach of the Box service. In 2015, we continued to innovate by expanding our offerings to include Box KeySafe, a solution that builds on top of Box's strong encryption and security capabilities to give customers greater control over the encryption keys used to secure the file contents that are stored with Box; Box Governance, which gives customers a better way to comply with regulatory policies, satisfy e-discovery requests and effectively manage sensitive business information; and Box Platform, which further enables customers and partners to build enterprise apps using the Box Platform. In recent years, we have expanded our global presence, opening our first international office in London in 2012, followed by Paris and Tokyo in 2013. In 2014, we launched Box for Industries to accelerate business transformation in every major industry and we continued to expand our international presence further. We also opened our international offices in Amsterdam and Stockholm in 2015.

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

Our objective is to build an enduring business that creates sustainable revenue and earnings growth over the long term. To best achieve this objective, we focus on growing the number of Box users and paying organizations through direct field sales, direct inside sales, indirect channel sales and through word-of-mouth by individual users, some of whom use our services at no cost. Individual users and organizations can also simply sign up to use our solution on our website. We believe this approach not only helps us build a critical mass of users but also has a viral effect within organizations as more of their employees use our service and encourage their IT professionals to deploy our services to a broader user base.

We have achieved significant growth in a short period of time. Our user base includes over 44 million registered users. We define a registered user as a Box account that has been provisioned to a unique user ID. As of January 31, 2016, over 12% of our registered users were paying users who register as part of a larger enterprise or business account or by using a personal account. We currently have over 57,000 paying organizations, and our solution is offered in 22 languages. We define paying organizations as separate and distinct buying entities, such as a company, an educational or government institution, or a distinct business unit of a large corporation, that have entered into a subscription agreement with us to utilize our services.

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

For the 12 months ended January 31, 2016, 61% of the dollar value of orders for our subscription services were from new enterprise customers and expansion within existing enterprise customers. We consider enterprise customers to be organizations with at least 1,000 employees, as such organizations are the focus of our Enterprise Accounts sales team.

We intend to continue scaling our organization to meet the increasingly complex needs of our customers. Our sales and customer success teams are organized to efficiently serve organizations ranging from small businesses to the world’s largest global organizations. We have invested and expect to continue to invest heavily in our sales and marketing teams to sell our services around the world, as well as in our development efforts to deliver additional features and capabilities of our cloud services to address our customers’ evolving needs. We also expect to continue to make significant investments in both our datacenter infrastructure to meet the needs of our growing user base and our professional services (Box Consulting) organization to address the strategic needs of our customers in more complex deployments and to drive broader adoption across a wide array of use cases. As a result of our continuing investments to scale our business in each of these areas, we do not expect to be profitable for the foreseeable future.

For the years ended January 31, 2016, 2015 and 2014, our revenue was $302.7 million, $216.4 million and $124.2 million, respectively, representing year-over-year growth of 40% and 74%, and our net losses were $202.9 million, $168.2 million and $168.6 million, respectively. For the years ended January 31, 2016, 2015 and 2014, revenue from non-U.S. customers represented 18%, 21% and 20% of our revenue, respectively. We expect our revenue from non-U.S. customers to increase at a higher rate than our revenue from U.S. customers over time. Box is headquartered in Redwood City, California and operates offices in California, New York, Texas, Amsterdam, London, Paris, Stockholm and Tokyo.

Our Business Model

Our business model focuses on maximizing the lifetime value of a customer relationship. We make significant investments in acquiring new customers and believe that we will be able to achieve a positive return on these investments by retaining customers and expanding the size of our deployments within our customer base over time. In connection with the acquisition of new customers, we incur and recognize significant upfront costs. These costs include sales and marketing costs associated with acquiring new customers, such as sales commission expenses, a significant portion of which is expensed upfront and the remaining portion of which is expensed over the length of the non-cancellable subscription term, and marketing costs, which are expensed as incurred. Due to our subscription model, we recognize revenue ratably over the term of the subscription period, which commences when all of the revenue recognition criteria have been met. Although our objective is for each customer to be profitable for us over the duration of our relationship, the costs we incur with respect to any customer relationship, whether a new customer or an expansion within an existing customer, may exceed revenue in earlier periods because we recognize those costs faster than we recognize the associated revenue.

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

Key Business Metrics

We monitor the following key metrics to help us measure our performance, identify trends affecting our business, formulate financial projections, assess operational efficiencies and make strategic decisions. In addition to our results determined in accordance with GAAP, we believe the following non-GAAP financial and operational measures are useful in evaluating our operating performance.

	Year Ended January 31,		
	2016	2015	2014
Billings (in thousands)	$369,060	$246,425	$174,165
Billings growth rate	50 %	41 %	103 %
Retention rate (period end)	117 %	126 %	136 %

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

We consider billings a significant performance measure and, after adjusting for any shifts in relative payment frequencies, a leading indicator of future revenue. Billings also help investors better understand our sales activity for a particular period, which is not necessarily reflected in our revenue as a result of the fact that we recognize subscription revenue ratably over the subscription term. We monitor billings to manage our business, make planning decisions, evaluate our performance and allocate resources. We believe that billings offers valuable supplemental information regarding the performance of our business and will help investors better understand the sales volumes and performance of our business.

Billings increased 50% in the year ended January 31, 2016 over the year ended January 31, 2015, and 41% in the year ended January 31, 2015 over the year ended January 31, 2014. Billing amounts growth in both periods is primarily driven by the addition of new customers with larger initial deployments and expansion with respect to the number of users within existing customers. The growth rate for our billings increased for the year ended January 31, 2016 compared to the year ended January 31, 2015, primarily due to a higher relative percentage of invoices with prepaid contracts for a service term of more than one year.

For the upcoming fiscal year 2017, to the extent possible, we expect to begin focusing on standardizing more on annual payment frequencies which, over time, we anticipate will mitigate fluctuations in billings which are not correlated to future revenue. This shift will not alter related revenue recognition or the related growth rates of revenue; however, to the extent we see a relatively lower percentage of multi-year prepayments as a result, this shift will naturally cause billings growth to decelerate faster than we would expect revenue growth for the year to decelerate. In addition, as we have gained and expect to continue to gain more traction with large enterprise customers, we also anticipate our quarterly billings to increasingly concentrate in the back half of our fiscal year; especially in Q4. Therefore, while billings continues to be a key business metric for the Company, we expect the relationship of billings and revenue in fiscal year 2017 to be different from the correlation in more recent years and therefore, past results are not expected to be indicative of future results; particularly in the quarterly periods throughout the year. Specifically, we expect our billings growth rate to decelerate faster than we expect revenue growth rates to decelerate.

Retention Rate

We calculate our retention rate as of a period end by starting with the annual contract value (ACV) from customers with contract value of $5,000 or more as of 12 months prior to such period end (Prior Period ACV) and a subscription term of at least 12 months. We then calculate ACV from these same customers as of the current period end (Current Period ACV). Finally, we divide the aggregate Current Period ACV for the trailing 12 month period by the aggregate Prior Period ACV for the trailing 12 month period to arrive at our retention rate. We believe our retention rate is an important metric that provides insight into the long-term value of our subscription agreements and our ability to retain and grow revenue from our customer base. We focus on contracts that have a value of $5,000 or more because, over time, these customers give us the best indicator for the growth of our business and the potential for incremental business as they renew and expand their deployments, and contracts with these customers represented a substantial majority of our revenue for the year ended January 31, 2016. Retention rate is an operational metric and there is no comparable GAAP financial measure to which we can reconcile this particular key metric.

Our retention rate was approximately 117%, 126% and 136% as of January 31, 2016, 2015 and 2014, respectively. The calculation of our retention rate reflects both net user expansion and the loss of customers who do not renew their subscriptions with us, which was below 5% for enterprise customers of the Prior Period ACV for the 12 months ended January 31, 2016, a decrease from the 12 months ended January 31, 2015. Our retention rates consistently exceeded 100% and were primarily attributable to an increase in user expansion, from both enterprise and small and medium business customers. We believe our investments in product, Customer Success, and Box Consulting are driving improvements in customer retention. As we penetrate customer accounts, we expect our rate of growth in expansion to trend down over time but our retention rate to remain above 100% for the foreseeable future.

Reconciliation of Billings to Revenue

To provide investors with additional information regarding our financial results, we have disclosed in the table above and within this report billings, a non-GAAP financial measure. We have provided a reconciliation below of billings to revenue, the most directly comparable GAAP financial measure. We consider billings, after adjusting for any shifts in relative payment frequencies, a significant performance measure and a leading indicator of future revenue. Billings also help investors better understand our sales activity for a particular period, which is not necessarily reflected in our revenue as a result of the fact that we recognize subscription revenue ratably over the subscription term. We monitor billings to manage our business, make planning decisions, evaluate our performance and allocate resources.

Our use of billings, a non-GAAP financial measure, has the following limitations as an analytical tool and should not be considered in isolation or as a substitute for revenue or an analysis of our results as reported under GAAP. Billings are recognized when invoiced, while the related revenue is recognized ratably over the term of the subscription or premier support services. When we invoice customers more frequently than their subscription period, amounts not yet invoiced will not be reflected in deferred revenue or billings. Also, other companies, including companies in our industry, may not use billings, may calculate billings differently, may have different billing frequencies, or may use other financial measures to evaluate their performance, all of which could reduce the usefulness of billings as a comparative measure.

A reconciliation of billings to revenue, the most directly comparable GAAP financial measure, is presented below:

	Year Ended January 31,		
	2016	2015	2014
	(in thousands)		
GAAP revenue	$302,704	$216,440	$124,192
Deferred revenue, end of period	186,413	120,057	90,072
Less: deferred revenue, beginning of period	(120,057)	(90,072)	(40,099)
Billings	$369,060	$246,425	$174,165

Components of Results of Operations

Revenue

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

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

Subscription and premier support revenue is recognized ratably over the contract term beginning on the later of the date the service is provisioned to the customer and the date all other revenue recognition criteria have been met. Our subscription and support contracts are typically non-cancellable and do not contain refund-type provisions. The majority of our customers subscribe to our service through one-year contracts, although we also offer our services for terms ranging between one month to three years or more. We typically invoice our customers at the beginning of the term, in multiyear, annual, quarterly or monthly installments. Amounts that have been invoiced are initially recorded as deferred revenue and are recognized ratably over the invoice period. Amounts that have not been invoiced are not reflected in deferred revenue.

Professional services revenue is recognized as the services are rendered for time and material contracts, and using the proportional performance method over the period the services are performed for fixed price contracts. Professional services revenue was not material for all periods presented.

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

Cost of Revenue

Our cost of revenue consists primarily of costs related to providing our cloud-based services to our paying customers, including employee compensation and related expenses for datacenter operations, customer support and professional services personnel, payments to outside infrastructure service providers, depreciation of servers and equipment, security services and other tools, as well as amortization of acquired technology. We allocate overhead such as rent, information technology costs and employee benefit costs to all departments based on headcount. As such, general overhead expenses are reflected in cost of revenue and each of the operating expense categories set forth below. We expect our cost of revenue to increase in dollars and may increase as a percentage of revenue as we continue to invest in our datacenter operations and customer support to support the growth of our business, our customer base, as well as our international expansion.

Operating Expenses

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

Research and Development. Research and development expense consists primarily of employee compensation and related expenses, as well as allocated overhead. Our research and development efforts are focused on scaling our platform, adding enterprise grade features, functionality and security, and enhancing the ease of use of our cloud-based services. We expect our research and development expense to increase in dollars but decrease as a percentage of revenue over time, as we continue to invest in our future products and services.

Sales and Marketing. Sales and marketing expense consists primarily of employee compensation and related expenses, sales commissions, marketing programs, travel -related expenses, as well as allocated overhead. Marketing programs include but are not limited to advertising, events, corporate communications, brand building, and product marketing. Sales and marketing expense also consists of datacenter and customer support costs related to providing our cloud-based services to our free users. We market and sell our cloud-based services worldwide through our direct sales organization and through indirect distribution channels such as strategic resellers. We expect our sales and marketing expense to continue to increase in dollars but decrease as a percentage of revenue over time as we increase the size of our sales and marketing organization and expand our international presence.

General and Administrative. General and administrative expense consists primarily of employee compensation and related expenses for administrative functions including finance, legal, human resources, recruiting, information systems and fees for external professional services and cloud based enterprise systems as well as allocated overhead. External professional services fees are primarily comprised of outside legal, litigation, accounting, temporary services, audit and outsourcing services. We expect our general and administrative expense to increase in dollars but decrease as a percentage of revenue over time as we incur additional costs related to operating as a publicly-traded company including systems, audit, legal, regulatory and other related fees.

Remeasurement of Redeemable Convertible Preferred Stock Warrant Liability

The remeasurement of redeemable convertible preferred stock warrant liability includes charges from the change in fair value of our redeemable convertible preferred stock warrant liability as of each period end. These redeemable convertible preferred stock warrants remained outstanding until the exercise of the warrants or the completion of our initial public offering, at which time the warrant liability was remeasured to fair value and reclassified to additional paid-in capital. As of January 31, 2016 and January 31, 2015, there were no longer any redeemable convertible preferred stock warrants outstanding.

Interest Expense, Net

Interest income consists of interest earned on our cash and cash equivalents and marketable securities balances. We have historically invested our cash in overnight deposits and short-term, investment-grade corporate debt and asset-backed securities. Interest expense consists of interest charges, fees on letters of credit and the amortization of capitalized debt issuance costs associated with our outstanding borrowings.

Other Income (Expense), Net

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

Provision (Benefit) for Income Taxes

Provision (benefit) for income taxes consists primarily of income taxes in certain foreign jurisdictions in which we conduct business and state income taxes in the United States offset by the tax benefit recognized from the release of our valuation allowance in connection with certain acquisitions. At January 31, 2016, we had federal and state net operating loss carryforwards (NOLs) of $423.7 million and $392.3 million, which expire at various dates beginning in 2025 and 2016, respectively. We also had foreign net operating loss carryforwards of approximately $125.6 million, which do not expire. Federal and state tax laws impose limitations on the utilization of NOLs in the event of an "ownership change" for tax purposes, as defined in Section 382 of the Internal Revenue Code. In the past, we have experienced an ownership change which has impacted our ability to fully realize the benefit of these NOLs. If we experience additional ownership changes, our ability to utilize our NOLs may be further limited.

Results of Operations

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

	Year Ended January 31,		
	2016	2015	2014
	(in thousands)		
Consolidated Statements of Operations Data:			
Revenue	$302,704	$216,440	$124,192
Cost of revenue(1)(2)	87,100	47,273	25,974
Gross profit	215,604	169,167	98,218
Operating expenses:			
Research and development(2)	102,500	66,402	45,967
Sales and marketing(2)	242,184	207,749	171,188
General and administrative(1)(2)	71,923	61,672	39,843
Total operating expenses	416,607	335,823	256,998
Loss from operations	(201,003)	(166,656)	(158,780)
Remeasurement of redeemable convertible preferred stock warrant liability	—	126	(8,477)
Interest expense, net	(1,157)	(2,009)	(3,705)
Other income (expense), net	(98)	(257)	(26)
Loss before provision (benefit) for income taxes	(202,258)	(168,796)	(170,988)
Provision (benefit) for income taxes	690	(569)	(2,431)
Net loss	$(202,948)	$(168,227)	$(168,557)

(1) Includes intangible assets amortization as follows:

	Year Ended January 31,		
	2016	2015	2014
	(in thousands)		
Cost of revenue	$5,443	$3,455	$1,813
General and administrative	154	169	174
Total intangible assets amortization	$5,597	$3,624	$1,987

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

	Year Ended January 31,		
	2016	2015	2014
	(in thousands)		
Cost of revenue	$4,664	$1,492	$450
Research and development	24,696	11,767	3,154
Sales and marketing	19,530	11,616	5,017

General and administrative	10,614	7,054	3,128
Total stock-based compensation	$59,504	$31,929	$11,749

	Year Ended January 31,		
	2016	2015	2014
Percentage of Revenue:			
Revenue	100 %	100 %	100 %
Cost of revenue(1)(2)	29	22	21
Gross profit	71	78	79
Operating expenses:			
Research and development(2)	34	31	37
Sales and marketing(2)	80	96	138
General and administrative(1)(2)	24	28	32
Total operating expenses	138	155	207
Loss from operations	(67)	(77)	(128)
Remeasurement of redeemable convertible preferred stock warrant liability	—	—	(7)
Interest expense, net	—	(1)	(3)
Other income (expense), net	—	—	—
Loss before provision (benefit) for income taxes	(67)	(78)	(138)
Provision (benefit) for income taxes	—	—	(2)
Net loss	(67)%	(78)%	(136)%

(1) Includes intangible assets amortization as follows:

	Year Ended January 31,		
	2016	2015	2014
Cost of revenue	2 %	2 %	1 %
General and administrative	—	—	—
Total intangible assets amortization	2 %	2 %	1 %

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

	Year Ended January 31,		
	2016	2015	2014
Cost of revenue	2 %	1 %	— %
Research and development	8	5	3
Sales and marketing	6	5	4
General and administrative	4	3	3
Total stock-based compensation	20 %	14 %	10 %

Comparison of the Years Ended January 31, 2016 and 2015

Revenue

	Year Ended January 31,			
	2016	2015	$ Change	% Change
	(dollars in thousands)			
Revenue	$302,704	$216,440	$86,264	40 %

Revenue was $302.7 million for the year ended January 31, 2016, compared to $216.4 million for the year ended January 31, 2015, representing an increase of $86.2 million, or 40%. The increase in revenue was substantially driven by an increase in subscription services. The increase in subscription services was due to the addition of new customers, as the number of paying organizations increased by 25% from January 31, 2015 to

January 31, 2016. Also in this period, we experienced increased renewals from and expansion within existing customers as they broadened their deployment of our product offerings, as reflected in our retention rate of 117% as of January 31, 2016.

Cost of Revenue

	Year Ended January 31,					
	2016		2015		$ Change	% Change
	(dollars in thousands)					
Cost of revenue	$87,100		$47,273		$39,827	84 %
Percentage of revenue	29	%	22	%		

Cost of revenue was $87.1 million, or 29% of revenue, for the year ended January 31, 2016, compared to $47.3 million, or 22% of revenue, for the year ended January 31, 2015, representing an increase of $39.8 million, or 84%. The increase in absolute dollars was primarily due to an increase of $9.9 million in employee and related costs and an increase of $3.2 million in stock-based compensation expense resulting from headcount growth in our datacenter operations, customer support, and particularly in our Box Consulting function as a result of our focused efforts to grow our Box Consulting capacity. Headcount in these functions grew from 168 employees as of January 31, 2015 to 229 employees as of January 31, 2016. In addition, there was an increase of $10.1 million in datacenter service costs and an increase of $7.4 million in depreciation of our server equipment as we increased our capacity, an increase of $6.3 million in allocated overhead costs which was primarily driven by the increased headcount as well as the expenses related to our new Redwood City headquarters in addition to the temporarily concurrent expenses related to our former Los Altos headquarters, an increase of $1.3 million in enterprise subscription software expenses, and an increase of $1.1 million in contractors and temporary services expenses. Cost of revenue as a percentage of revenue increased 7 points year-over-year primarily due to our continued investments in our data center infrastructure and Box Consulting to support our expected growth in paying customers and new products, as well as the expenses related to our new Redwood City headquarters in addition to the temporarily concurrent expenses related to our former Los Altos headquarters.

Research and Development

	Year Ended January 31,					
	2016		2015		$ Change	% Change
	(dollars in thousands)					
Research and development	$102,500		$66,402		$36,098	54 %
Percentage of revenue	34	%	31	%		

Research and development expenses were $102.5 million, or 34% of revenue, for the year ended January 31, 2016, compared to $66.4 million, or 31% of revenue, for the year ended January 31, 2015, representing an increase of $36.1 million, or 54%. The increase in absolute dollars was primarily due to an increase of $12.9 million in stock-based compensation expense and an increase of $11.8 million in employee and related costs as we increased our headcount from 253 employees as of January 31, 2015 to 299 employees as of January 31, 2016 to support continued investment in our product and service offerings and scalability, and an increase of $8.9 million in allocated overhead costs which was primarily driven by the increased headcount as well as the expenses related to our new Redwood City headquarters in addition to the temporarily concurrent expenses related to our former Los Altos headquarters. Research and development expenses as a percentage of revenue increased 3 points year-over-year as we continue to invest in research and development efforts. We expect to continue investing in new features and functionalities.

Sales and Marketing

	Year Ended January 31,			
	2016	2015	$ Change	% Change
	(dollars in thousands)			
Sales and marketing	$242,184	$207,749	$34,435	17 %
Percentage of revenue	80 %	96 %		

Sales and marketing expenses were $242.2 million, or 80% of revenue, for the year ended January 31, 2016, compared to $207.7 million, or 96% of revenue, for the year ended January 31, 2015, representing an increase of $34.4 million, or 17%. The increase in absolute dollars was primarily due to an increase of $9.0 million in employee and related costs and an increase of $7.9 million in stock-based compensation expense, as we increased our headcount from 570 employees as of January 31, 2015 to 618 employees as of January 31, 2016, an increase of $8.2 million in sales commissions driven by increased sales, an increase of $6.4 million in allocated overhead costs which was primarily driven by the expenses related to our new Redwood City headquarters in addition to the temporarily concurrent expenses related to our former Los Altos headquarters, an increase of $2.4 million in travel-related expenses, and an increase of $1.4 million in datacenter and other infrastructure costs related to providing Box services to free users. Sales and marketing expenses as a percentage of revenue decreased 16 points year over year due to improved marketing efficiency, as our sales and marketing expenses are generally higher for acquiring new customers as compared to expansions or renewals of existing customer subscriptions, and a decrease in relative cost to support our free users. Over time, as our existing customer base grows and a relatively higher percentage of our revenue is attributable to renewals versus new or expanding Box deployments, we expect that sales and marketing expenses will decrease as a percentage of revenue. We continue to invest aggressively to capture our large market opportunity and capitalize on our competitive position, while growing our productivity and efficiency to achieve our long-term margin objectives.

General and Administrative

	Year Ended January 31,			
	2016	2015	$ Change	% Change
	(dollars in thousands)			
General and administrative	$71,923	$61,672	$10,251	17 %
Percentage of revenue	24 %	28 %		

General and administrative expenses were $71.9 million, or 24% of revenue, for the year ended January 31, 2016, compared to $61.7 million, or 28% of revenue, for the year ended January 31, 2015, representing an increase of $10.3 million, or 17%. The increase in absolute dollars was primarily due to an increase of $8.8 million in employee and related costs and an increase of $3.6 million in stock-based compensation expense, as we increased our headcount from 167 employees as of January 31, 2015 to 224 employees as of January 31, 2016, and an increase of $5.3 million in allocated overhead costs which was primarily driven by the increased headcount as well as the expenses related to our new Redwood City headquarters in addition to the temporarily concurrent expenses related to our former Los

Altos headquarters, offset by a decrease of $8.3 million in litigation related expenses.

Remeasurement of Redeemable Convertible Preferred Stock Warrant Liability

	Year Ended January 31, 2016	2015	$ Change	% Change
	(dollars in thousands)			
Remeasurement of redeemable convertible preferred stock liability	$—	$126	$(126)	*

*Not meaningful

47

There was no remeasurement of redeemable convertible preferred stock warrant liability during the year ended January 31, 2016 as there were no longer any redeemable convertible preferred stock warrants outstanding as of January 31, 2015.

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

	Year Ended January 31,			
	2016	2015	$ Change	% Change
	(dollars in thousands)			
Interest expense, net	$(1,157)	$(2,009)	$852	(42)%
Other income (expense), net	(98)	(257)	159	*

*Not meaningful

Interest expense, net decreased by $0.9 million, or 42%, during the year ended January 31, 2016 compared to the year ended January 31, 2015. The decrease was primarily due to lower interest expense incurred on our credit facilities for the year ended January 31, 2016.

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

Provision (Benefit) for Income Taxes

	Year Ended January 31,			
	2016	2015	$ Change	% Change
	(dollars in thousands)			
Provision (benefit) for income taxes	$690	$(569)	$1,259	*

*Not meaningful

The change in provision (benefit) for income taxes during the year ended January 31, 2016 compared to the year ended January 31, 2015 was primarily due to the discrete tax benefits recognized from the release of our valuation allowance in connection with acquisitions during the year ended January 31, 2015. No such release occurred during the year ended January 31, 2016.

Comparison of the Years Ended January 31, 2015 and 2014

Revenue

Year Ended January 31,	
2015	2014

			$ Change	% Change
	(dollars in thousands)			
Revenue	$216,440	$124,192	$92,248	74 %

Revenue was $216.4 million for the year ended January 31, 2015, compared to $124.2 million for the year ended January 31, 2014, representing an increase of $92.2 million, or 74%. The increase in revenue was substantially driven by an increase in subscription services. The increase in subscription services was due to the addition of new customers, as the number of paying organizations increased by 35% from January 31, 2014 to January 31, 2015. Also in this period, we experienced increased renewals from and expansion within existing customers as they broadened their deployment of our product offerings, as reflected in our retention rate of 126% as of January 31, 2015.

Cost of Revenue

	Year Ended January 31,			
	2015	2014	$ Change	% Change
	(dollars in thousands)			
Cost of revenue	$47,273	$25,974	$21,299	82 %
Percentage of revenue	22 %	21 %		

Cost of revenue was $47.3 million, or 22% of revenue, for the year ended January 31, 2015, compared to $26.0 million, or 21% of revenue, for the year ended January 31, 2014, representing an increase of $21.2 million, or 82%. The increase in absolute dollars was primarily due to an increase of $8.3 million in depreciation of our server equipment and an increase of $7.2 million in datacenter service costs as we brought our Las Vegas datacenter online and increased our capacity to serve a larger number of customers. In addition, there was an increase of $6.3 million in employee and related costs resulting from headcount growth in our datacenter operations, customer support and professional services functions. Headcount in these functions grew from 116 employees as of January 31, 2014 to 168 employees as of January 31, 2015.

Research and Development

	Year Ended January 31,			
	2015	2014	$ Change	% Change
	(dollars in thousands)			
Research and development	$66,402	$45,967	$20,435	44 %
Percentage of revenue	31 %	37 %		

Research and development expenses were $66.4 million, or 31% of revenue, for the year ended January 31, 2015, compared to $46.0 million, or 37% of revenue, for the year ended January 31, 2014, representing an increase of $20.4 million, or 44%. The increase in absolute dollars was primarily driven by an increase of $9.9 million in employee and related costs and an increase of $8.6 million in stock-based compensation expense as we increased our headcount from 234 employees as of January 31, 2014 to 253 employees as of January 31, 2015 to support continued investment in our product and service offerings and scalability, and an increase of $2.0 million in allocated overhead costs. Research and development expenses as a percentage of revenue decreased 6 points year-over-year as we saw the benefits of our cumulative investment over several years in research and development efforts. We will continue investing in new features and functionality across security, mobility, and industry specific solutions.

Sales and Marketing

Year Ended January 31,

	2015	2014	$ Change	% Change
	(dollars in thousands)			
Sales and marketing	$207,749	$171,188	$36,561	21 %
Percentage of revenue	96 %	138 %		

Sales and marketing expenses were $207.7 million, or 96% of revenue, for the year ended January 31, 2015, compared to $171.2 million, or 138% of revenue, for the year ended January 31, 2014, representing an increase of $36.6 million, or 21%. The increase in absolute dollars was primarily due to an increase of $10.0 million in employee and related costs and an increase of $6.6 million in stock-based compensation expense, as we increased our headcount from 513 employees as of January 31, 2014 to 570 employees as of January 31, 2015, an increase of $9.1 million in datacenter and customer support costs to support free users, an increase of $3.5 million in advertising expenses, an increase of $2.7 million in allocated overhead costs, and an increase of $1.9 million in travel-related costs. Sales and marketing expenses as a percentage of revenue decreased 42 points year over year due to improved marketing efficiency as our sales and marketing expenses are generally higher for acquiring new customers versus expansions or renewals of existing customer subscriptions. Over time, as our existing customer base grows and a relatively higher percentage of our revenue is attributable to renewals versus new or expanding Box deployments, we expect that sales and marketing expenses will decrease as a percentage of revenue. We continue to invest aggressively to capture our large market opportunity and capitalize on our competitive position, while growing our productivity and efficiency to achieve our long-term margin objectives.

General and Administrative

	Year Ended January 31,			
	2015	2014	$ Change	% Change
	(dollars in thousands)			
General and administrative	$61,672	$39,843	$21,829	55 %
Percentage of revenue	28 %	32 %		

General and administrative expenses were $61.7 million, or 28% of revenue, for the year ended January 31, 2015, compared to $39.8 million, or 32% of revenue, for the year ended January 31, 2014, representing an increase of $21.8 million, or 55%. The increase in absolute dollars was primarily due to an increase of $11.5 million in litigation expenses and settlement costs and an increase of $9.9 million in employee and related costs resulting from headcount growth from 109 employees as of January 31, 2014 to 167 employees as of January 31, 2015.

Remeasurement of Redeemable Convertible Preferred Stock Warrant Liability

	Year Ended January 31,			
	2015	2014	$ Change	% Change
	(dollars in thousands)			
Remeasurement of redeemable convertible preferred stock warrant liability	$126	$(8,477)	$ 8,603	*

*Not meaningful

Remeasurement of redeemable convertible preferred stock warrant liability decreased by $8.6 million during the year ended January 31, 2015 compared to the year ended January 31, 2014. The decrease was primarily due to the exercise of certain warrants to purchase our redeemable convertible preferred stock in January 2014.

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

	Year Ended January 31,			
	2015	2014	$ Change	% Change
	(dollars in thousands)			
Interest expense, net	$(2,009)	$(3,705)	$ 1,696	46 %
Other income (expense), net	(257)	(26)	(231)	*

*Not meaningful

Interest expense, net decreased by $1.7 million, or 46%, during the year ended January 31, 2015 compared to the year ended January 31, 2014. The decrease was primarily due to the end-of-term and early payment fees in connection with the payoff of prior borrowings recognized during year ended January 31, 2014.

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

Provision (Benefit) for Income Taxes

	Year Ended January 31,			
	2015	2014	$ Change	% Change
	(dollars in thousands)			
Provision (benefit) for income taxes	$(569)	$(2,431)	$ 1,862	*

*Not meaningful

50

The decrease in benefit for income taxes during the year ended January 31, 2015 compared to the year ended January 31, 2014 was primarily due to a smaller discrete tax benefit recognized from the release of our valuation allowance in connection with acquisitions. In connection with our fiscal 2015 acquisitions, a deferred tax liability was established for the book-tax basis difference related to acquired intangible assets. The net deferred tax liability from acquisitions provided an additional source of income to support the realizability of our pre-existing deferred tax assets.

Quarterly Results of Operations

The following tables set forth selected unaudited quarterly consolidated statements of operations data for each of the eight quarters in the period ended January 31, 2016. The information for each of these quarters has been prepared on the same basis as the audited annual consolidated financial statements included elsewhere in this report and, in the opinion of management, includes all adjustments, which include only normal recurring adjustments, necessary for the fair presentation of the results of operations for these periods in accordance with generally accepted accounting principles in the United States. This data should be read in conjunction with our audited consolidated financial statements and related notes included elsewhere in this report. These quarterly operating results are not necessarily indicative of our operating results for a full year or any future period.

	Three Months Ended							
	Jan. 31, 2016	Oct. 31, 2015	Jul. 31, 2015	Apr. 30, 2015	Jan. 31, 2015	Oct. 31, 2014	Jul. 31, 2014	Apr. 30, 2014
Consolidated Statements of Operations Data:								
Revenue	$84,982	$78,651	$73,450	$65,621	$62,639	$57,048	$51,423	$45,330
Cost of revenue(1)(2)	25,681	23,630	20,636	17,153	14,694	12,518	10,833	9,228
Gross profit	59,301	55,021	52,814	48,468	47,945	44,530	40,590	36,102
Operating expenses:								
Research and development(2)	26,589	26,324	26,453	23,134	17,987	17,172	16,345	14,898
Sales and marketing(2)	63,257	63,972	58,460	56,495	55,395	55,257	49,657	47,440
General and administrative(1)(2)	19,019	19,757	17,675	15,472	20,396	16,855	12,875	11,546
Total operating expenses	108,865	110,053	102,588	95,101	93,778	89,284	78,877	73,884
Loss from operations	(49,564)	(55,032)	(49,774)	(46,633)	(45,833)	(44,754)	(38,287)	(37,782)
Remeasurement of redeemable convertible preferred stock warrant liability	—	—	—	—	(14)	(54)	461	(267)
Interest expense, net	(384)	(30)	(229)	(514)	(559)	(663)	(382)	(405)
Other income (expense), net	(155)	165	(31)	(77)	(298)	105	(71)	7
Loss before provision (benefit) for income taxes	(50,103)	(54,897)	(50,034)	(47,224)	(46,704)	(45,366)	(38,279)	(38,447)
	270	220	141	59	29	55	(717)	64

Provision (benefit) for income taxes								
Net loss	(50,373)	(55,117)	(50,175)	(47,283)	(46,733)	(45,421)	(37,562)	(38,511)
Accretion of redeemable convertible preferred stock	—	—	—	—	(3,926)	(5,743)	(1,791)	(43)
Deemed dividends on the conversion of Series F redeemable convertible preferred stock	—	—	—	—	(2,262)	—	—	—
Net loss attributable to common stockholders, basic and diluted	$(50,373)	$(55,117)	$(50,175)	$(47,283)	$(52,921)	$(51,164)	$(39,353)	$(38,554)
Net loss per share attributable to common stockholders, basic and diluted	$(0.41)	$(0.45)	$(0.42)	$(0.40)	$(2.64)	$(3.40)	$(2.71)	$(2.81)
Weighted-average shares used to compute net loss per share attributable to common stockholders, basic and diluted(3)	123,321	121,796	120,399	119,379	20,041	15,041	14,533	13,734

51

(1) Includes intangible assets amortization as follows:

	Three Months Ended							
	Jan. 31, 2016	Oct. 31, 2015	Jul. 31, 2015	Apr. 30, 2015	Jan. 31, 2015	Oct. 31, 2014	Jul. 31, 2014	Apr. 30, 2014
	(in thousands)							
Cost of revenue	$1,433	$1,431	$1,472	$1,107	$1,078	$966	$758	$653
General and administrative	37	39	39	39	41	43	43	42
Total intangible assets amortization	$1,470	$1,470	$1,511	$1,146	$1,119	$1,009	$801	$695

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

	Three Months Ended							
	Jan. 31, 2016	Oct. 31, 2015	Jul. 31, 2015	Apr. 30, 2015	Jan. 31, 2015	Oct. 31, 2014	Jul. 31, 2014	Apr. 30, 2014
	(in thousands)							
Cost of revenue	$1,500	$1,272	$1,041	$851	$390	$472	$404	$226
Research and development	6,675	6,455	6,303	5,263	3,547	3,207	3,005	2,008
Sales and marketing	5,500	5,005	4,742	4,283	3,310	3,122	3,119	2,065
General and administrative	2,982	2,672	2,642	2,318	2,338	1,712	1,551	1,453
Total stock-based compensation	$16,657	$15,404	$14,728	$12,715	$9,585	$8,513	$8,079	$5,752

(3) Upon the closing of Box's initial public offering on January 28, 2015, 88.1 million shares of Box's redeemable convertible preferred stock were converted and reclassified to Box's common stock, in addition, 85,354 shares of Box's common stock were issued upon the net exercise of a warrant to purchase shares of Box's redeemable convertible preferred stock.

Quarterly Revenue Trends

Our quarterly revenue increased sequentially for all periods presented due primarily to increases in the number of new customers as well as increased renewals from and expansion within existing customers as they broadened their deployment of our services. Our fourth quarter has historically been our strongest quarter for contracting activity as a result of large enterprise buying patterns.

Quarterly Costs and Expenses Trends

Total costs and expenses generally increased sequentially for all periods presented, primarily due to the addition of personnel in connection with the expansion of our business. Sales and marketing expenses generally grew sequentially over the periods with higher increases in the second half of the fiscal year as our commissions and marketing costs accelerate with the increase in our customer ordering activity in the second half of our fiscal years. General and administrative costs generally increased in recent quarters due to higher professional service fees associated with being a public company.

Our quarterly operating results may fluctuate due to various factors affecting our performance. As noted above, we recognize revenue from subscription fees ratably over the term of the contract. Therefore, changes in our contracting activity in the near term may not be apparent as a change to our reported revenue until future periods. Most of our expenses are recorded as period costs, and thus, factors affecting our cost structure may be reflected in our financial results sooner than changes to our revenue. In addition, we generally incur higher sales and marketing expenses in our third fiscal quarter due to our annual users' conference.

Liquidity and Capital Resources

	Year Ended January 31,		
	2016	2015	2014
	(in thousands)		
Net cash used in operating activities	$(66,321)	$(84,900)	$(91,769)
Net cash used in investing activities	(80,861)	(38,883)	(32,185)
Net cash provided by financing activities	2,513	345,439	105,165

As of January 31, 2016, we had cash and cash equivalents of $185.7 million. Our cash and cash equivalents are comprised primarily of overnight cash deposits. We have generated significant operating losses and negative cash flows from operations as reflected in our accumulated deficit and consolidated statements of cash flows. We may continue to incur operating losses and negative cash flows from operations in the future and may require additional capital resources to execute strategic initiatives to grow our business.

Since our inception, we have financed our operations primarily through equity, cash generated from sales and, to a lesser extent, debt financing. We believe our existing cash and cash equivalents, together with our credit facilities, will be sufficient to meet our working capital and capital expenditure needs for at least the next 12 months. Our future capital requirements will depend on many factors including our growth rate, subscription renewal activity, billing frequency, the timing and extent of spending to support development efforts, the expansion of sales and marketing and international operation activities, the introduction of new and enhanced services offerings, and the continuing market acceptance of our services. We may in the future enter into arrangements to acquire or invest in complementary businesses, services and technologies, including intellectual property rights. We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, operating results and financial condition would be adversely affected.

In January 2015, we completed an initial public offering of our Class A common stock. We received net proceeds of $187.2 million after deducting underwriting discounts and commissions of $14.1 million but before deducting offering costs of $5.7 million, of which $2.9 million and $588,000, respectively, was paid in the years ended January 31, 2015 and 2014, and the remaining $2.2 million were paid after January 31, 2015.

In December 2015, we paid in full all amounts outstanding under our secured revolving credit facility entered into in August 2013 (August 2013 Facility), including the outstanding principal balance of $40.0 million, and terminated the August 2013 Facility and all related loan documents and collateral documents, in conjunction with entering into a new revolving credit facility with a different lender (December 2015 Facility). The December 2015 Facility provides for a revolving loan facility in the amount of up to $40.0 million maturing in December 2017.

The December 2015 Facility is denominated in U.S. dollars and, depending on certain conditions, each borrowing is subject to a floating interest rate equal to either the prime rate plus a spread of 0.25% to 2.75% or a reserve adjusted LIBOR rate (based on one, three or six-month interest periods) plus a spread of 1.25% to 3.75%. Although no minimum deposit is required for the December 2015 Facility, we are eligible for the lowest interest rate if we maintain at least $40 million in deposits with the lender. In addition, there is an annual fee of 0.2% on the total commitment amount. At closing, we drew $40.0 million at 1.82% (six month LIBOR plus 1.25%) which we used to repay the outstanding principal balance under the August 2013 Facility. Borrowings under the December 2015 Facility are collateralized by substantially all of our assets in the United States. It also contains various covenants, including covenants related to the delivery of financial and other information, the maintenance of quarterly financial covenants, as well as customary limitations on dispositions, mergers or consolidations and other corporate activities.

Operating Activities

For the year ended January 31, 2016, cash used in operating activities was $66.3 million. The primary factors affecting our operating cash flows during this period were our net loss of $202.9 million, partially offset by non-cash charges of $59.5 million for stock-based compensation, $40.4 million for depreciation and amortization of our property and equipment and intangible assets, $15.8 million for amortization of deferred commissions, and net cash inflows of $19.8 million provided by changes in our operating assets and liabilities. The primary drivers of the changes in operating assets and liabilities were a $66.4 million increase in deferred revenue, a $32.4 million increase in deferred rent, and a $17.9 million increase in accrued expenses and other liabilities, partially offset by a $45.4 million increase in accounts receivable, a $25.7 million increase in prepaid expenses and other assets, and a $21.7 million increase in deferred commissions. The increase in deferred revenue was primarily due to the growth in the number of paying customers and increased renewals and expansion of our existing customers as they broadened their deployment of our services. The increase in deferred commissions was due to higher sales. The increase in accounts receivable was due to higher sales and the timing of our cash collections during the period.

For the year ended January 31, 2015, cash used in operating activities was $84.9 million. The primary factors affecting our operating cash flows during this period were our net loss of $168.2 million, partially offset by non-cash charges of $31.9 million for stock-based compensation, $29.0 million for depreciation and amortization of our property and equipment and intangible assets, $12.1 million for amortization of deferred commissions, and net cash inflows of $11.3 million provided by changes in our operating assets and liabilities. The primary drivers of the changes in operating assets and liabilities were a $30.0 million increase in deferred revenue, a $7.0 million increase in accrued expenses and other liabilities, a $3.2 million increase in accounts payable, and a $1.3 million increase in deferred rent, partially offset by a $16.2 million increase in deferred commissions, a $11.5 million increase in accounts receivable, and a $2.5 million increase in prepaid expenses and other assets. The increase in deferred revenue was primarily due to the growth in the number of paying customers and increased renewals and expansion of our existing customers as they broadened their deployment of our services. The increase in deferred commissions was due to higher sales. The increase in accounts receivable was due to higher sales and the timing of our cash collections during the period.

For the year ended January 31, 2014, cash used in operating activities was $91.8 million. The primary factors affecting our operating cash flows during this period were our net loss of $168.6 million, partially offset by non-cash charges of $17.9 million for depreciation and amortization of our property and equipment and intangible assets, $13.5 million for amortization of deferred commissions, $11.7 million for stock-based compensation, and $8.5 million for the remeasurement of our redeemable convertible preferred stock warrant liability, and net cash inflows of $27.6 million provided by changes in our operating assets and liabilities. The primary drivers of the changes in operating assets and liabilities were a $50.0 million increase in deferred revenue and a $24.1 million increase in accrued expenses and other liabilities, partially offset by a $25.2 million increase in accounts receivable and a $14.0 million increase in deferred commissions. The increase in deferred revenue was primarily due to the growth in the number of paying customers and increased renewals from, and expansion within, our existing customers as they broadened their deployment of our services. The increase in accrued expenses and other liabilities was primarily attributable to increased activities to support the overall growth of our business. The increase in deferred commissions was due to higher sales. The increase in accounts receivable was due to increased sales and the timing of our cash collections during the period.

Investing Activities

Cash used in investing activities of $80.9 million for the year ended January 31, 2016 was primarily due to $112.5 million of purchases of marketable securities, $72.9 million of capital expenditures, and $0.3 million of payments for acquisitions and purchases of intangible assets, net of cash acquired, partially offset by $104.8 million of proceeds from sales and maturities of marketable securities. For the year ended January 31, 2016, we experienced significantly higher capital expenditures in connection with building improvements incurred for our new Redwood City Headquarters which we moved into in November 2015. We expect for fiscal year 2017 that our capital expenditures will decrease considerably from those in fiscal year 2016 as we our capital expenditures return again to investments which primarily support infrastructure for providing Box services to our customers.

Cash used in investing activities of $38.9 million for the year ended January 31, 2015 was primarily due to capital expenditures.

Cash used in investing activities of $32.2 million for the year ended January 31, 2014 was due to $24.4 million in capital expenditures and $7.8 million in connection with the acquisition of Crocodoc and other intangible assets.

Financing Activities

Cash provided by financing activities of $2.5 million for the year ended January 31, 2016 was primarily due to $10.3 million proceeds from issuances of common stock under our 2015 ESPP and $7.0 million proceeds from exercise of stock options, partially offset by $10.4 million of employee payroll taxes paid related to net share settlement of restricted stock units, $2.2 million of payments of offering costs related to our initial public offering, $2.0 million of payments of capital lease obligations, and $0.1 million net payment of borrowings.

Cash provided by financing activities of $345.4 million for the year ended January 31, 2015 was primarily due to $184.2 million of proceeds from our initial public offering, net of issuance costs, $149.6 million in net proceeds from the issuance of our Series F redeemable convertible preferred stock, $6.0 million of net proceeds from borrowings, and $6.0 million of proceeds from exercise of stock options.

Cash provided by financing activities of $105.2 million for the year ended January 31, 2014 was primarily due to $99.9 million in net proceeds from the issuance of our Series E-1 redeemable convertible preferred stock and $3.0 million of proceeds from the exercise of stock options. During this period, we also drew a net of $32.7 million on our new revolving line of credit facility and repaid $31.0 million in connection with our prior borrowings.

Contractual Obligations and Commitments

The following summarizes our contractual obligations and commitments as of January 31, 2016:

	Payments Due by Period (in thousands)				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Debt(1)	$41,420	$808	$40,612	$—	$—
Operating lease obligations, net of sublease income amounts (2)	271,767	14,190	40,210	47,904	169,463
Capital leases(3)	12,460	4,977	7,483	—	—
Purchase obligations(4)	20,679	14,517	6,162	—	—
Total	$346,326	$34,492	$94,467	$47,904	$169,463

(1) Includes interest and unused commitment fee on our line of credit.
(2) Includes operating lease obligations for our buildings. As of January 31, 2016, we anticipated receiving sublease income of $13.7 million over the next three years from tenants in certain of our leased facilities. The amounts set forth in the table above are net of these sublease income amounts.
(3) Includes obligations related to our datacenter hardware.
(4) Purchase obligations relate primarily to datacenter operations and sales and marketing activities.

Off-Balance Sheet Arrangements

Through January 31, 2016, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

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

We believe that of our significant accounting policies, which are described in Note 2 to our consolidated financial statements, the following accounting policies involve a greater degree of judgment and complexity.

Accordingly, these are the policies we believe are the most critical to aid in fully understanding and evaluating our consolidated financial condition and results of our operations.

Revenue Recognition

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

We recognize revenue when all of the following conditions are met:

- there is persuasive evidence of an arrangement;
- the service has been provided to the customer;
- the collection of fees is reasonably assured; and
- the amount of fees to be paid by the customer is fixed or determinable.

We typically invoice our customers at the beginning of the term, in multiyear, annual, quarterly or monthly installments. Our subscription and support contracts are typically non-cancellable and do not contain refund-type provisions. Revenue is presented net of sales and other taxes we collect on behalf of governmental authorities.

In instances where we collect fees in advance of service delivery, revenue under the contract is deferred until we successfully deliver such services.

Subscription revenue is recognized ratably over the period of the subscription beginning once all requirements for revenue recognition have been met, including provisioning the service so that it is available to our customers. Premier support is sold together with the subscription services, and the term of the premier support is generally the same as the related subscription services arrangement. Accordingly, we recognize premier support revenue in the same manner as the associated subscription hosting service. Professional services revenue is recognized as the services are rendered for time and material contracts, and using the proportional performance method over the period the services are performed for fixed price contracts.

We assess collectability based on a number of factors, such as past collection history and creditworthiness of the customer. If management determines collectability is not reasonably assured, we defer revenue recognition until collectability becomes reasonably assured.

Our arrangements can include multiple elements which may consist of some or all of subscription services, premier support and professional services. When multiple-element arrangements exist, we evaluate whether these individual deliverables should be accounted for as separate units of accounting or one single unit of accounting.

In order to treat deliverables in a multiple-element arrangement as separate units of accounting, the delivered item or items must have standalone value upon delivery. A delivered item has standalone value to the customer when either (1) any vendor sells that item separately or (2) the customer could resell that item on a standalone basis. Our subscription services have standalone value as such services are often sold separately. Our premier support services do not have standalone value because we and other vendors do not sell premier support services separately. Our professional services have standalone value because there are other vendors which sell the same professional services separately. For new services, we assess standalone value consistently with the foregoing policy. Accordingly, we consider the separate units of accounting in our multiple deliverable arrangements to be the professional services, subscription services or a combined deliverable comprised of subscription services and premier support services. When multiple deliverables included in an arrangement are separable into different units of accounting, the arrangement consideration is allocated to the identified separate units of accounting based on their relative selling price. Multiple-element arrangement accounting guidance provides a hierarchy to use when determining the relative selling price for each unit of accounting. Vendor-specific objective evidence (VSOE) of

56

selling price, based on the price at which the item is regularly sold by the vendor on a standalone basis, should be used if it exists. If VSOE of selling price is not available, third-party evidence (TPE) of selling price is used to establish the selling price if it exists. We have not established VSOE for our subscription services, premier support or professional services due to lack of pricing consistency, the introduction of new services and other factors. We have also concluded that third-party evidence of selling price is not a practical alternative due to differences in our service offerings compared to other parties and the availability of relevant third-party pricing information. Accordingly, we use our best estimate of selling price (BESP) to determine the relative selling price for our subscription, premier support and professional services offerings. For arrangements with multiple deliverables which can be separated into different units of accounting, we allocate the arrangement fee to the separate units of accounting based on our BESP. The amount of arrangement fee allocated is limited by contingent revenue, if any.

We determined BESP by considering our overall pricing objectives and market conditions. Significant pricing practices taken into consideration for our subscription services, which may also include premier support, and professional services, include discounting practices, the size and volume of our transactions, the customer demographic, the geographic area where services are sold, price lists, our go-to-market strategy, historical standalone sales and contract prices. The determination of BESP is made through consultation with and approval by our management, taking into consideration the go-to-market strategy. As our go-to-market strategies evolve, we may modify our pricing practices in the future, which could result in changes in relative selling prices.

Deferred Commissions

Deferred commissions consist of direct incremental costs paid to our sales force associated with non-cancellable terms of the related contracts. The deferred commission amounts are recoverable through future revenue streams under the non-cancellable customer contracts. Direct sales commissions are deferred when earned and amortized over the same period that revenue is recognized for the related non-cancellable subscription period. Amortization of deferred commissions is included in sales and marketing expense in the consolidated statements of operations.

Stock-Based Compensation

We measure and recognize compensation expense for all stock-based awards granted to our employees and other service providers, including stock options, restricted stock units, restricted stock and purchase rights granted under our 2015 Employee Stock Purchase Plan (2015 ESPP), based on the estimated fair value of the award on the grant date. We use the Black-Scholes option pricing model to estimate the fair value of stock option awards and purchase rights granted under our 2015 ESPP. Prior to our initial public offering in January 2015, the fair value of restricted stock units and restricted stock was determined based on the fair value of our common stock estimated as part of the capital stock and business enterprise valuation process. We use the market closing price of our Class A common stock as reported on the New York Stock Exchange for the fair value of restricted stock units and restricted stock granted after our initial public offering. We recognize the fair value of stock options, restricted stock units and restricted stock as an expense, net of estimated forfeitures, on a straight-line basis over the requisite service period. We recognize the fair value of purchase rights granted under our 2015 ESPP as an expense on a straight-line basis over the offering period.

Our option pricing model requires the input of highly subjective assumptions, including the fair value of the underlying common stock, the expected term of the option, the expected volatility of the price of our common stock, risk-free interest rates, and the expected dividend yield of our common stock. The assumptions used in our option pricing model represent management’s best estimates. These estimates involve inherent uncertainties and the application of management’s judgment. If factors change and different assumptions are used, our stock-based compensation expense could be materially different in the future.

These assumptions are estimated as follows:

- Fair Value of Common Stock. Prior to our initial public offering in January 2015, our board of directors considered numerous objective and subjective factors to determine the fair value of our common stock at each grant date. These factors included, but were not limited to, (i) contemporaneous valuations of common stock performed by unrelated third-party specialists; (ii) the prices for our redeemable convertible preferred stock sold to outside investors; (iii) the rights, preferences and privileges of our redeemable convertible preferred stock relative to our common stock; (iv) the lack of marketability of our common stock; (v) developments in the business; and (vi) the likelihood of achieving a liquidity event, such as an initial public offering or a merger or acquisition of Box, given prevailing market conditions.

Subsequent to the completion of our initial public offering, we use the market closing price for our Class A common stock as reported on the New York Stock Exchange.

- Risk-Free Interest Rate. We base the risk-free interest rate used in the Black-Scholes option pricing model on the implied yield available on U.S. Treasury zero-coupon issues with remaining terms similar to the expected term on the options and ESPP purchase rights.
- Expected Term. The expected term represents the period that our stock-based awards are expected to be outstanding. We determined the expected term assumption based on the vesting terms, exercise terms and contractual terms of the options and ESPP purchase rights.
- Expected Volatility. Since we do not have sufficient trading history of our common stock, the expected volatility was derived from the historical stock volatilities of several unrelated public companies within the same industry that we consider to be comparable to our business over a period equivalent to the expected term of the stock option grants.
- Dividend Yield. We have never declared or paid any cash dividends and do not plan to pay cash dividends in the foreseeable future, and, therefore, use an expected dividend yield of zero.

The following table summarizes the assumptions relating to our stock options and ESPP purchase rights, as follows:

	Year Ended January 31, 2016	2015	2014
Employee Stock Options			
Expected term (in years)	5.5 – 6.1	5.7 – 6.2	4.9 – 6.3
Risk-free interest rate	1.5% – 1.9%	1.8% – 2.1%	0.8% – 1.9%
Volatility	42 % – 44 %	45 % – 49 %	48 % – 57 %
Dividend yield	0 %	0 %	0 %
Employee Stock Purchase Plan			
Expected term (in years)	0.5 – 2.0	0.6 – 2.1	—
Risk-free interest rate	0.2% – 0.8%	0.1% – 0.6%	—
Volatility	33 % – 41 %	37 % – 41 %	—
Dividend yield	0 %	0 %	—

In addition, we are required to estimate the expected forfeiture rate and only recognize expense for those shares that are expected to vest. We estimate the expected forfeiture rate based on historical experience and our expectations regarding future pre-vesting termination behavior of employees and other service providers. To the extent our actual forfeiture rate is different from our estimate, stock-based compensation expense is adjusted accordingly.

We will continue to use judgment in evaluating the assumptions related to our stock-based compensation on a prospective basis. As we continue to accumulate additional data related to our common stock, we may have refinements to our estimates, which could materially impact our future stock-based compensation expense.

Business Combinations and Valuation of Goodwill and Other Acquired Intangible Assets

We allocate the fair value of purchase consideration to the tangible assets acquired, liabilities assumed, and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. Significant estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from acquired users, acquired technology, and trade names from a market participant perspective, useful lives, and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. During the measurement period, which is one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

We review goodwill for impairment at least annually or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable. We have elected to first assess the qualitative factors to determine whether it is more likely than not that the fair value of our single reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. If we determine that it is more likely than not that its fair value is less than its carrying amount, then the two-step goodwill impairment test will be performed. The first step, identifying a potential impairment, compares the fair value of the reporting unit with its carrying amount. If the carrying amount exceeds its fair value, the second step will be performed; otherwise, no further step is required. The second step, measuring the impairment loss, compares the implied fair value of the goodwill with the carrying amount of the goodwill. Any excess of the goodwill carrying amount over the implied fair value is recognized as an impairment loss, and the carrying value of goodwill is written down to fair value. As of January 31, 2016, no impairment of goodwill has been identified.

Acquired finite-lived intangible assets are amortized over their estimated useful lives, which is generally two to seven years. We evaluate the recoverability of our intangible assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If such review indicates that the carrying amount of intangible assets is not recoverable, the carrying amount of such assets is reduced to fair value. We have not recorded any such impairment charge during the years presented.

Legal Contingencies

From time to time, we are a party of litigation and subject to claims that arise in the ordinary course of business. We investigate these claims as they arise, and accrue estimates for resolution of legal and other contingencies when losses are probable and estimable. Because the results of litigation and claims cannot be predicted with certainty, we base our loss accruals on the best information available at the time. As additional information becomes available, we reassess our potential liability and may revise our estimates. Such revisions could have a material impact on future quarterly or annual results of operations.

Recent Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, Leases. ASU 2016-02 requires lessees to put most leases on their balance sheet while recognizing expense in a manner similar to existing accounting. The new accounting guidance is effective for our fiscal period beginning February 1, 2019 and early adoption is permitted. We are currently reviewing the impact of the adoption of ASU 2016-02 on our consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The update addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 is effective for our fiscal beginning February 1, 2018. Early adoption is permitted only for certain portions of the ASU related to financial liabilities. We are currently evaluating the impact of the provisions of this new standard on our consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes, to simplify the presentation of deferred income taxes. Under the new standard, both deferred tax liabilities and assets are required to be classified as noncurrent in a classified balance sheet. ASU 2015-17 will become effective for fiscal years, and the interim periods within those years, beginning after December 15, 2016, with early adoption permitted. The new guidance has been adopted on a prospective basis by the Company for the year ended January 31, 2016, thus resulting in the reclassification of current deferred tax assets to noncurrent on the accompanying consolidated balance sheet. The prior reporting period was not retrospectively adjusted. The adoption of this guidance had no impact on our consolidated results of income and comprehensive income.

In September 2015, the FASB issued ASU 2015-16, Simplifying the Accounting for Measurement-Period Adjustments, which eliminates the requirement to restate prior period financial statements for measurement period adjustments. The standard requires that the cumulative impact of a measurement period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified. We plan to adopt this standard beginning February 1, 2016, and do not believe that this adoption will have a material impact on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09 regarding ASC Topic 606, Revenue from Contracts with Customers. The standard provides principles for recognizing revenue for the transfer of promised goods or services to customers with the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will be effective for our fiscal year beginning February 1, 2019, at which time we may adopt the new standard under either the full retrospective method or the modified retrospective method. Early adoption is permitted. We are currently evaluating the impact of the adoption of this standard on our consolidated financial statements and have not determined whether the effect will be material.

Non-GAAP Financial Measures

Regulation S-K Item 10(e), “Use of Non-GAAP Financial Measures in Commission Filings,” defines and prescribes the conditions for use of non-GAAP financial information. Our measures of non-GAAP operating loss, non-GAAP net loss, non-GAAP net loss attributable to common stockholders and non-GAAP net loss per share attributable to common stockholders (collectively, the non-GAAP financial measures) each meet the definition of a non-GAAP financial measure.

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

Non-GAAP operating loss

We define non-GAAP operating loss as operating loss excluding expenses related to stock-based compensation (SBC), intangible assets amortization, and as applicable, other special items. Although stock-based compensation is an important aspect of the compensation of Box’s employees and executives, determining the fair value of certain of the stock-based instruments we utilize involves a high degree of judgment and estimation and the expense recorded may bear little resemblance to the actual value realized upon the vesting or future exercise of the related stock-based awards. Furthermore, unlike cash compensation, the value of stock options, which is an element of our ongoing stock-based compensation expense, is determined using a complex formula that incorporates factors, such as market volatility, that are beyond our control. For restricted share unit awards, the amount of stock-based compensation expenses is not reflective of the value ultimately received by the grant recipients. Management believes it is useful to exclude stock-based compensation in order to better understand the long-term performance of our core business and to facilitate comparison of our results to those of peer companies. Management also views amortization of acquisition-related intangible assets, such as the amortization of the cost associated with an acquired company's research and development efforts, trade names and customer relationships, as items arising from pre-acquisition activities determined at the time of an acquisition. While these intangible assets are continually evaluated for impairment, amortization of the cost of acquired intangible assets is a static expense, one that is not typically affected by operations during any particular period. We further exclude legal settlement costs because they are considered by management to be special items outside our core operating results.

Non-GAAP net loss, net loss attributable to common stock holders, and net loss per share attributable to common stockholders

We define non-GAAP net loss as net loss excluding expenses related to SBC, intangible assets amortization, remeasurement of redeemable convertible preferred stock warrant liability, and as applicable, other special items. We define non-GAAP net loss attributable to common stockholders as net loss attributable to common stockholders excluding expenses related to SBC, intangible assets amortization, remeasurement of redeemable convertible preferred stock warrant liability, accretion of redeemable convertible preferred stock, deemed dividend on the conversion of Series F redeemable convertible preferred stock, and as applicable, other special items. We define non-GAAP net loss per share attributable to common stockholders as non-GAAP net loss attributable to common stockholders divided by the weighted average outstanding shares. We exclude remeasurement of redeemable convertible preferred stock warrant liability, accretion of redeemable convertible preferred stock, deemed dividend on the conversion of Series F redeemable convertible preferred stock, and as applicable, other special items because they are considered by management to be outside our core operating results.

Limitations on the use of Non-GAAP financial measures

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

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

Our reconciliation of the non-GAAP financial measures for years ended January 31, 2016, 2015 and 2014 are as follows (in thousands, except for share numbers):

	Year Ended January 31,		
	2016	2015	2014
	(in thousands)		
GAAP operating loss	$(201,003)	$(166,656)	$(158,780)
Stock-based compensation	59,504	31,929	11,749
Intangible assets amortization	5,597	3,624	1,987
Expenses related to a legal verdict(1)	1,586	3,900	—
Non-GAAP operating loss	$(134,316)	$(127,203)	$(145,044)
GAAP operating margin	(66)%	(77)%	(128)%
Stock-based compensation	20	15	9
Intangible assets amortization	1	1	2
Expenses related to a legal verdict(1)	1	2	—
Non-GAAP operating margin	(44)%	(59)%	(117)%
GAAP net loss	$(202,948)	$(168,227)	$(168,557)
Stock-based compensation	59,504	31,929	11,749
Intangible assets amortization	5,597	3,624	1,987
Expenses related to a legal verdict(1)	1,586	3,900	—
Remeasurement of redeemable convertible preferred stock warrant liability	—	(126)	8,477
Non-GAAP net loss	$(136,261)	$(128,900)	$(146,344)
GAAP net loss attributable to common stockholders	$(202,948)	$(181,992)	$(168,898)
Stock-based compensation	59,504	31,929	11,749
Intangible assets amortization	5,597	3,624	1,987
Expenses related to a legal verdict(1)	1,586	3,900	—
Remeasurement of redeemable convertible preferred stock warrant liability	—	(126)	8,477
Accretion of redeemable convertible preferred stock	—	11,503	341
Deemed dividend on the conversion of Series F redeemable convertible preferred stock	—	2,262	—
Non-GAAP net loss attributable to common stockholders	$(136,261)	$(128,900)	$(146,344)
GAAP net loss per share attributable to common stockholders, basic and diluted	$(1.67)	$(11.48)	$(14.89)
Stock-based compensation	0.49	2.01	1.04
Intangible assets amortization	0.05	0.23	0.17
Expenses related to a legal verdict(1)	0.01	0.25	—
Remeasurement of redeemable convertible preferred	—	(0.01)	0.75

stock warrant liability			
Accretion of redeemable convertible preferred stock	—	0.73	0.03
Deemed dividend on the conversion of Series F redeemable convertible preferred stock	—	0.14	—
Non-GAAP net loss per share attributable to common stockholders, basic and diluted	$(1.12)	$(8.13)	$(12.90)
Weighted-average shares used to compute net loss per share attributable to common stockholders, basic and diluted(2)	121,240	15,854	11,341

62

(1) Included in general and administrative expenses in the consolidated statements of operations.

(2) Upon the closing of Box's initial public offering on January 28, 2015, 88.1 million shares of Box's redeemable convertible preferred stock were converted and reclassified to Box's common stock, in addition, 85,354 shares of Box's common stock were issued upon the net exercise of a warrant to purchase shares of Box's redeemable convertible preferred stock.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We had cash and cash equivalents and marketable securities of $193.1 million as of January 31, 2016. Our cash equivalents and marketable securities primarily consist of short-term, investment-grade corporate debt and asset-backed securities. All cash equivalents and marketable securities are recorded at their estimated fair value.

The primary objectives of our investment activities are the preservation of capital, the fulfillment of liquidity needs and the fiduciary control of cash, cash equivalents and marketable securities. We do not enter into investments for trading or speculative purposes. Our investments are exposed to market risk due to fluctuations in interest rates, which may affect our interest income and the fair market value of our marketable securities. Due to the short-term duration of our investment portfolio, however, we do not believe an immediate 10% increase or decrease in interest rates would have a material effect on the fair market value of our portfolio. We therefore do not expect our operating results or cash flows to be materially affected by a sudden change in market interest rates.

In December 2015, we entered into a new revolving credit facility (December 2015 Facility) in the amount of up to $40.0 million maturing in December 2017. The December 2015 Facility is denominated in U.S. dollars and, depending on certain conditions, each borrowing is subject to a floating interest rate equal to either the prime rate plus a spread of 0.25% to 2.75% or a reserve adjusted LIBOR rate (based on one, three or six-month interest periods) plus a spread of 1.25% to 3.75%. Although no minimum deposit is required for the December 2015 Facility, we are eligible for the lowest interest rate if we maintain at least $40 million in deposits with the lender.

Interest rate risk also reflects our exposure to movements in interest rates associated with the December 2015 Facility. As of January 31, 2016, we had total debt outstanding with a carrying amount of $40 million which approximates fair value. A hypothetical 10% increase or decrease in interest rates after January 31, 2016 would not have a material impact on the fair value of our outstanding debt.

Foreign Currency Risk

Our sales contracts are denominated predominantly in U.S. dollars and, to a lesser extent, British Pounds, Euros, Japanese Yen and Canadian dollars. Consequently, our customer billings denominated in foreign currency are subject to foreign currency exchange risk. A portion of our operating expenses are incurred outside the United States and are denominated in foreign currencies, which are also subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the British Pound, Euro and Japanese Yen. Additionally, fluctuations in foreign currency exchange rates may cause us to recognize transaction gains and losses in our statement of operations. To date we have managed our foreign currency risk by maintaining offsetting assets and liabilities and minimizing non-USD cash balances, and have not entered into derivatives or hedging transactions as our exposure to foreign currency exchange rates has not been material to our historical operating results; however, we may do so in the future if our exposure to foreign currency should become more significant. There were no significant foreign exchange gains or losses in the years ended January 31, 2016, 2015 and 2014.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

BOX, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm	66
Consolidated Balance Sheets	68
Consolidated Statements of Operations	69
Consolidated Statements of Comprehensive Loss	70
Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit)	71
Consolidated Statements of Cash Flows	73
Notes to Consolidated Financial Statements	74

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Box, Inc.

We have audited the accompanying consolidated balance sheets of Box, Inc. as of January 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive loss, redeemable convertible preferred stock and stockholders' equity (deficit) and cash flows for each of the three years in the period ended January 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Box, Inc. at January 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended January 31, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Box, Inc.'s internal control over financial reporting as of January 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 30, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Francisco, California

March 30, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Box, Inc.

We have audited Box, Inc.'s internal control over financial reporting as of January 31, 2016, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework)(the COSO criteria). Box, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Box, Inc. maintained, in all material respects, effective internal control over financial reporting as of January 31, 2016 based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2016 consolidated financial statements of Box, Inc. and our report dated March 30, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Francisco, California

March 30, 2016

67

BOX, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

	January 31, 2016	January 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$185,741	$330,436
Marketable securities	7,379	—
Accounts receivable, net of allowance of $3,678 and $3,858	99,542	54,174
Prepaid expenses and other current assets	14,729	12,132
Deferred commissions	12,603	9,487
Total current assets	319,994	406,229
Property and equipment, net	120,492	58,446
Intangible assets, net	3,895	6,343
Goodwill	14,301	11,242
Restricted cash	27,952	3,367
Other long-term assets	10,854	7,039
Total assets	$497,488	$492,666
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$9,862	$17,486
Accrued compensation and benefits	35,631	20,486
Accrued expenses and other current liabilities	31,926	16,862
Capital lease obligations, current	4,698	625
Deferred revenue	168,051	107,893
Deferred rent	298	2,701
Total current liabilities	250,466	166,053
Debt, non-current	40,000	40,000
Capital lease obligations, non-current	7,316	1,238
Deferred revenue, non-current	18,362	12,164
Deferred rent, non-current	41,674	3,890
Other long-term liabilities	1,769	1,192
Total liabilities	359,587	224,537
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Preferred stock, par value $0.0001 per share; 100,000 shares authorized, no shares issued and outstanding as of January 31, 2016 and January 31, 2015	—	—
Class A common stock, par value $0.0001 per share; 1,000,000 shares authorized, 42,266 shares issued and outstanding as of January 31, 2016; 1,000,000 shares authorized, 14,455 shares issued and outstanding as of	4	1

January 31, 2015		
Class B common stock, par value $0.0001 per share; 200,000 shares authorized, 81,855 shares issued and outstanding as of January 31, 2016; 200,000 shares authorized, 105,200 shares issued and outstanding as of January 31, 2015 (including common stock subject to repurchase, see Note 10)	8	11
Additional paid-in capital	871,491	798,743
Treasury stock	(1,177)	(1,177)
Accumulated other comprehensive loss	(84)	(56)
Accumulated deficit	(732,341)	(529,393)
Total stockholders' equity	137,901	268,129
Total liabilities and stockholders' equity	$497,488	$492,666

See notes to consolidated financial statements

BOX, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Year Ended January 31,		
	2016	2015	2014
Revenue	$302,704	$216,440	$124,192
Cost of revenue	87,100	47,273	25,974
Gross profit	215,604	169,167	98,218
Operating expenses:			
Research and development	102,500	66,402	45,967
Sales and marketing	242,184	207,749	171,188
General and administrative	71,923	61,672	39,843
Total operating expenses	416,607	335,823	256,998
Loss from operations	(201,003)	(166,656)	(158,780)
Remeasurement of redeemable convertible preferred stock warrant liability	—	126	(8,477)
Interest expense, net	(1,157)	(2,009)	(3,705)
Other income (expense), net	(98)	(257)	(26)
Loss before provision (benefit) for income taxes	(202,258)	(168,796)	(170,988)
Provision (benefit) for income taxes	690	(569)	(2,431)
Net loss	(202,948)	(168,227)	(168,557)
Accretion of redeemable convertible preferred stock	—	(11,503)	(341)
Deemed dividend on the conversion of Series F redeemable convertible preferred stock	—	(2,262)	—
Net loss attributable to common stockholders	$(202,948)		