

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2020

OR

**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 001-38434

Dropbox, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

26-0138832
(I.R.S. Employer
Identification Number)

Dropbox, Inc.
1800 Owens Street
San Francisco, California 94158
(Address of principal executive offices, including zip code)
(415) 857-6800
(Registrant's telephone number, including area code)

| <u>Title of each class</u> | <u>Trading Symbol(s)</u> | <u>Name of exchange on which registered</u> |
|---|--------------------------|---|
| Class A Common Stock, par value \$0.00001 per share | DBX | The NASDAQ Stock Market LLC |
| 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 No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"). Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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 No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

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

| | | | |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |
| Emerging growth company | <input type="checkbox"/> | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the registrant's Class A common stock held by non-affiliates of the registrant, based on the closing price of a share of the registrant's Class A common stock on June 30, 2020 as reported by the NASDAQ Global Select Market on such date was approximately \$6,023.6 million. Shares of the registrant's Class A common stock held by each executive officer, director and holder of 5% or more of the outstanding Class A common stock have been excluded as 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 16, 2021 there were 331,279,862 shares of the registrant's Class A common stock outstanding (which includes 10,333,333 shares of Class A common stock subject to restricted stock awards that were granted pursuant to the Co-Founder Grants, and vest upon the satisfaction of a service condition and achievement of certain stock price goals, and 2,352,246 shares of Class A common stock subject to restricted stock awards that were granted to other Dropbox executives and vest upon the satisfaction of a service condition and, as applicable, achievement of certain stock price goals), 83,437,091 shares of the registrant's Class B common stock outstanding, and no shares of the registrant's Class C common stock outstanding.

Portions of the registrant's definitive Proxy Statement relating to the 2021 Annual Meeting of Stockholders are incorporated herein by references in Part II and Part III of this Annual Report on Form 10-K to the extent stated herein. Such Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2020.

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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 risk 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,” “contemplates,” “believes,” “estimates,” “predicts,” “potential,” or “continue” or the negative of these words or other similar terms or expressions 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 retain and upgrade paying users;
- our ability to attract new users or convert registered users to paying users;
- our future financial performance, including trends in revenue, costs of revenue, gross profit or gross margin, operating expenses, paying users, annual recurring revenue, average revenue per year and free cash flow;
- our expectations regarding the challenges and anticipated benefits to our business from our shift to a Virtual First work model as well as the resulting impact to our financial results and business operations;
- our expectations regarding the potential ongoing impacts of the outbreak of the COVID-19 pandemic and related public health measures, as well as the potential for a more permanent global shift to remote work, on our business, the business of our customers, suppliers and partners, and the economy;
- our ability to compete successfully in competitive markets;
- the demand for our platform or for content collaboration solutions in general;
- possible harm caused by significant disruption of service or loss or unauthorized access to users’ content;
- our ability to effectively integrate our platform with others;
- our ability to respond to rapid technological changes, including our ability to take advantage of potential market opportunities arising from what we believe to be a more permanent shift towards remote work;
- our ability to achieve or maintain profitability;
- our expectations and management of future growth;
- our ability to grow due to our lack of a significant outbound sales force;
- our ability to attract large organizations as users;
- our ability to offer high-quality customer support;
- our ability to manage our international expansion;
- our ability to attract, retain, integrate, and manage key and other highly qualified personnel, including in light of our workforce reduction in January 2021 and as we transition to a Virtual First model with an increasingly distributed workforce;
- our capital allocation plans, including expected allocations of cash and timing for our share repurchases and other investments;
- our ability to protect our brand;
- our ability to prevent serious errors or defects in our platform;

- our ability to maintain, protect, and enhance our intellectual property; and
- our ability to successfully identify, acquire, and integrate companies and assets.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this Annual Report on Form 10-K.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Annual Report on Form 10-K primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors 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. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Annual Report on Form 10-K. We cannot assure you that the results, events, and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this Annual Report on Form 10-K relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Annual Report on Form 10-K to reflect events or circumstances after the date of this Annual Report on Form 10-K or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments we may make.

SUMMARY OF RISK FACTORS

Below is a summary of the principal factors that could materially harm our business, operating results and/or financial condition, impair our future prospects and/or cause the price of our Class A common stock to decline. This summary does not address all of the risks that we face. Additional discussion of the risks summarized in this risk factor summary, and other risks that we face, can be found below under the heading "Risk Factors" and should be carefully considered, together with other information in this Form 10-K and our other filings with the Securities and Exchange Commission ("SEC") before making an investment decision regarding our Class A common stock.

- Our business depends on our ability to retain and upgrade paying users, and any decline in renewals or upgrades could adversely affect our future results of operations.
- Our future growth could be harmed if we fail to attract new users or convert registered users to paying users.
- Our revenue growth rate has declined in recent periods and may continue to slow in the future.
- We have a limited history of operating with a Virtual First workforce and the long-term impact on our financial results and business operations is uncertain.
- We operate in competitive markets, and we must continue to compete effectively.
- Our business could be damaged, and we could be subject to liability if there is any unauthorized access to our data or our users' content, including through privacy and data security breaches.
- Our business could be harmed by any significant disruption of service on our platform or loss of content.
- The full extent of the impacts of the COVID-19 pandemic on our business is currently unknown, but it may adversely affect our financial results as well as our business operations.
- We generate revenue from sales of subscriptions to our platform, and any decline in demand for our platform or for content collaboration solutions in general could negatively impact our business.

- Our business depends upon the interoperability of our platform across devices, operating systems, and third-party applications that we do not control.
- Failure to respond to rapid technological changes, extend our platform, or develop new features or products may harm our ability to compete effectively, which would adversely affect our business.
- We may not successfully manage our growth or plan for future growth.
- We depend on our key personnel and other highly qualified personnel, and if we fail to attract, integrate, and retain our personnel, and maintain our unique corporate culture, our business could be harmed.
- We have a history of net losses, we may increase expenses in the future, and we may not be able to achieve or to maintain profitability.
- Our lack of significant outbound sales force may limit the potential growth of our business.

PART I.

ITEM 1. BUSINESS

Overview

Dropbox, Inc. (the “Company” or “Dropbox”) is the one place to keep life organized and keep work moving.

We were founded in 2007 with a simple idea: Life would be a lot better if everyone could access their most important information anytime from any device. Over the past decade, we’ve largely accomplished that mission by building tools to help people work from anywhere—and along the way we recognized that for most of our users, sharing and collaborating on Dropbox was even more valuable than storing files.

Our market opportunity has grown as we’ve expanded from keeping files in sync to keeping teams in sync. Today, Dropbox is well-positioned to reimagine the way work gets done. We’re focusing on reducing the inordinate amount of time and energy the world spends on “work about work”—tedious tasks like searching for content, switching between applications, and managing workflows. We believe the need for our platform will continue to grow as teams become more fluid and global, and content is increasingly fragmented across incompatible tools and devices. Dropbox breaks down silos by centralizing the flow of information between the products and services our users prefer, even if they’re not our own. In a world where using technology at work can be fragmented and distracting, Dropbox makes it easy to focus on the work that matters.

The popularity of our platform drives viral growth, which has allowed us to scale rapidly and efficiently. We’ve built a thriving global business with 15.48 million paying users.

What Sets Us Apart

Since the beginning, we’ve focused on simplifying the lives of our users. In a world where business software can be frustrating to use, challenging to integrate, and expensive to sell, we take a different approach. As businesses around the world adapt to a distributed environment, Dropbox is at the forefront of developing the technology to support them. Dropbox provides tools to help distributed teams prioritize, get organized, and keep work moving securely—from anywhere.

Simple and intuitive design

While traditional tools developed in the desktop age have struggled to keep up with evolving user demands, Dropbox was designed for the cloud era. We build simple, beautiful products that bring joy to our users and make it easier for them to do their best work.

Open ecosystem

Because people use a wide variety of devices, tools and platforms, Dropbox works across the devices, operating systems, and apps users want—from Android to iOS, Windows, Mac, desktop, and mobile. We also integrate seamlessly with other products, integrating with partners including Microsoft, Zoom, Slack, BetterCloud, Atlassian, and Google.

Viral, bottom-up adoption

Every year, millions of users sign up for Dropbox at work. Bottom-up adoption within organizations has been critical to our strategy and success as users increasingly choose their own tools at work. We generate over 90% of our revenue from self-serve channels—users who purchase a subscription through our app or website.

Performance and security

Our custom-built infrastructure allows us to maintain high standards of performance, availability, and security. Dropbox is built on proprietary, block-level sync technology to achieve industry-leading performance. We designed our platform with multiple layers of redundancy to guard against data loss and deliver high availability. We also offer numerous layers of protection, from secure file data transfer and encryption to network configuration and application-level controls.

Our Solution

Dropbox allows individuals, teams, and organizations to collaborate more effectively and focus on the work that matters. Anyone can sign up for free through our website or app, and upgrade to a paid subscription plan for premium features.

Key elements of our platform

- *Unified home for content.* We provide a unified home for the world's content and the relevant context around it. To date, our users have added hundreds of billions of pieces of content to Dropbox, totaling over multiple exabytes of data. When users join Dropbox, they gain access to a digital workspace that supports the full content lifecycle—they can create and organize their content, access it from anywhere, share it with internal and external collaborators, and review feedback and history.
- *Global sharing network.* We've built one of the largest collaboration platforms in the world. We cater to the needs of dynamic, dispersed teams. The overwhelming majority of our customers use Dropbox to share and collaborate. As we continue to grow, more users benefit from frictionless sharing, and powerful network effects increase the utility and stickiness of our platform.
- *Product experiences and integrations.* The insights we glean from our community of users and our deep integrations with best-of-breed companies lead us to develop or acquire new product experiences and extend the capabilities of our platform. Products like Dropbox Passwords, Vault, Computer Backup, and HelloSign, and deep integrations with companies like Microsoft, Zoom, Atlassian, Slack, and BetterCloud help us provide our users with the functionality they need to do their best work. Machine learning further improves the user experience by enabling more intelligent search, better organization, and utility of information. This ongoing innovation broadens the value of our platform and deepens user engagement.

These elements reinforce one another to produce a powerful flywheel effect. As users create and share more content with more people, they expand our global sharing network. This network allows us to gather insights and feedback that help us create new product experiences. And with our scale, we can instantly put these innovations in the hands of millions. This, in turn, helps attract more users and content, which further propels the flywheel.

Our Capabilities

Dropbox is a single organized place where individuals and teams can create content, access it from anywhere, and share it with collaborators. The power of our platform lies in the breadth of our capabilities and the diverse ways our users make Dropbox work for them. We monetize through a range of subscription plans. Our platform capabilities are described below:

Create

Paper. With Dropbox Paper, users can co-author content, tag others, create timelines, assign tasks with due dates, embed and comment on files, tables, checklists, code snippets, and rich media—all in real-time. We designed Paper to be simple and beautiful so users can focus on the most important ideas and tasks at hand.

Doc scanner. The doc scanner in our mobile app lets users create content in Dropbox from hard copies. This includes transforming everything from printed materials to whiteboard brainstorming sessions into digital documents that users can edit and share. We apply proprietary machine learning techniques to automatically detect the document being scanned, extract it from the background, fit it to a rectangular shape, remove shadows, adjust the contrast, and save it as a PDF or image file. For Dropbox Business teams, scanned content is analyzed using Optical Character Recognition so text within these scans is searchable in Dropbox.

Access and organize

Search. Dropbox has powerful search capabilities that allow users to quickly find the files and folders they need. Our autocomplete technology surfaces and prioritizes content based on users' previous activity. For Dropbox Plus, Professional, and Business users, full text search allows users to scan the entire content of their files.

Rich previews. Rich previews allow users to easily interact with files across any device without having to open different applications. Users can comment on, annotate, review, and present files, and see who viewed and edited them. We support previews of over 300 file types, and Dropbox users currently preview files tens of millions of times every day.

Smart Sync. With Smart Sync, users can access all of their content natively on their computers without taking up storage space on their local hard drives. We intelligently sync files to a user's computer as they need them, and users can control which files or folders are always synced locally. With Smart Sync, files that are only stored in the cloud appear in the local file system and can be opened directly from Windows File Explorer or Mac Finder, instead of having to navigate to our web interface. Smart Sync is available to Dropbox Plus, Professional, and Business users.

Version history. As paying users work on files, our servers keep snapshots of all their changes. Users can see a file's complete version history so they can reference and retrieve older versions if needed. Version histories are kept between 30 to 180 days for paying users, depending on subscription plan.

Third-party ecosystem. Our open and thriving ecosystem fosters deeper relationships with our users and developers. Developers can build applications that connect to Dropbox through our DBX Developer Platform. For example, email apps can plug into Dropbox to send attachments or shared links, video-conferencing apps allow users to start meetings and share content natively from Dropbox, and eSignature apps give users the ability to manage and maintain contract workflows all from within Dropbox. As of December 31, 2020, Dropbox was receiving over 60 billion API calls per month and over 750,000 developers had registered and built applications on our platform. In addition, more than 85% of Dropbox Business teams have linked to one or more third-party applications.

Rewind. Dropbox Rewind is a tool that lets a user take a folder, or their entire account, back to a specific point in time. The tool uses version history to undo changes made to files and folders and can recover any file edits or deletions made within the last 30 to 180 days depending on the users' subscription.

Computer Backup. Computer backup automatically syncs folders on a user's computer to the cloud. When turned on, files on the user's PC or Mac are continuously backed up on the cloud. Any changes made in synced folders are automatically updated in the Dropbox account and on the hard drive. Computer backup allows users to get up-to-date versions of files stored on the user's PC or Mac from anywhere and from any device instantly. Content is secure in the cloud, no matter what happens to the user's computer.

Passwords. Dropbox Passwords allows users to sign-in to websites and apps by creating and storing unique usernames and passwords across devices. The app can autofill usernames and passwords for instant access anywhere within applications available for Windows, Mac, iOS, and Android.

Vault. Dropbox Vault helps secure and organize sensitive information in the cloud. Vault is a PIN-protected folder in Dropbox that a user can access any time and on any device. Sensitive data can be added and viewed from any device: Windows, Mac, iOS, and Android.

Share

Folders. There are three types of folders in Dropbox: private, shared, and team folders. A private folder allows an individual to sync files between devices. A shared folder allows users to quickly and easily start a project space for group collaboration. A team folder, which is only available for Dropbox Business teams, is a central, administrator-managed hub where they can store and collaborate on content.

Shared links. Users can share files and folders with anyone, including non-Dropbox users, by creating a Dropbox link. Once created, the link can be sent through email, text, Facebook, Twitter, instant message, or other channels. The recipient can view the file with a rich preview or see all the files in a shared folder. Dropbox Professional subscribers and Dropbox Business teams can set passwords and expiration dates and specify whether recipients can comment on or download the files.

Transfer. Dropbox Transfer gives users a quick and secure way to send large files or collections of files to anyone. With Transfer, users can send up to 100 GB of files in just a few clicks. Users also have the option to drag and drop files to upload from their computer, or add items stored in Dropbox. After creating a transfer, users receive a link that can be pasted anywhere and sent to anyone. Recipients receive copies of the files, so the sender's originals remain untouched.

File requests. With file requests, users can invite anyone to submit files into a specified Dropbox folder through a simple link—regardless of whether the recipient has a Dropbox account. File requests are ideal for tasks such as collecting bids from contractors or requesting submissions from coworkers and clients. All submitted files are organized into a Dropbox folder that's private to the requesting user.

Watermarking. Our Dropbox watermarking feature allows users to protect and share digital files quickly and easily. The watermark feature can be used to protect graphic designs, confidential contracts, and personal photographs. Users can create their own custom watermark and watermark any file without leaving Dropbox.

Collaborate

Comments and annotations. Dropbox comments and annotations marry content with the conversations and relevant context around it. Instead of being scattered across separate silos, such as email and chat, the editing and development of content are tied to a file. Users can give feedback on specific parts of files through a rich, innovative overlay on our web and mobile platforms.

File activity stream. An activity feed lives next to every file preview on our web interface and in the desktop app, telling users what's happening with a file. The feed shows when someone opens a file, edits a file, or shares a file.

Notifications. We use real-time notifications across all our channels—web, desktop, email, and mobile—to keep users up-to-date on what's happening with their work. Users can choose to be notified when someone opens, edits, shares, or comments on a file, or adds a file to their shared folders.

Viewer information and presence. On both file previews and Paper docs, Dropbox shows users in real-time who's viewing a doc and when a doc was last viewed by other users. On desktop, the Dropbox badge is a subtle overlay to Microsoft Word, Excel, and PowerPoint that lets users know if someone opens or edits the file they're working in. The Dropbox badge gives users real-time insight into how others are interacting with their content, bringing modern collaboration features often found only in web-based documents to desktop files.

HelloSign. HelloSign is an eSignature and document workflow platform that enables customers to easily sign, send, and receive documents through its intuitive web and mobile based interfaces. Once documents are signed, copies automatically sync to the user's Dropbox account.

Secure

Security protections. We employ strong protections for all of the data on our platform.

- *Encryption.* Dropbox file data at rest is encrypted using 256-bit Advanced Encryption Standard, or AES. To protect data in transit between Dropbox apps such as desktop, mobile, API, or web and our servers, Dropbox uses Secure Sockets Layer, or SSL, and Transport Layer Security, or TLS, for data transfer, creating a secure tunnel protected by 128-bit or higher AES encryption.
- *File recovery.* Every deletion event in Dropbox is recorded, including when groups of files are deleted. Users can easily recover files through our web interface. Dropbox Plus subscribers may recover prior versions for up to 30 days after deletion, and Dropbox Professional and Dropbox Business subscribers may recover prior versions for up to 180 days after deletion.

Administrator controls. Dropbox Business team administrators have many ways to customize security settings in both global and granular ways, including real-time detections of suspicious behavior, risky activity, and potential data leaks.

- *Sharing permissions:* Team administrators can set up and monitor how their members share team folders, and can set sharing permissions on all folders, sub-folders, and links through the sharing tab.
- *Remote device wipe:* Team administrators can delete their organization's Dropbox content from a member's linked devices, which is especially useful should someone lose a device or leave the team.
- *Audit log:* Team administrators can monitor which members are sharing files and logging into Dropbox, among other events. They can review activity logs, create full reports for specific time ranges, and pull activity reports on specific members. Advanced and Enterprise team administrators have access to audit logs with file-event tracking.
- *Device approvals:* Advanced and Enterprise team administrators can manage how members access Dropbox on their devices.
- *Tiered administrator roles:* Advanced and Enterprise teams have the ability to set multiple administrator roles, each with a different set of permissions.
- *Network control:* Enterprise team administrators can restrict personal Dropbox usage on their organization's network.

Third-party security integrations. We've partnered with industry-leading third parties to enable us to provide a wide range of IT processes and satisfy industry compliance standards, including:

- *Security information and event management:* Allows Dropbox Business administrators to oversee and manage employee activity, and access sensitive data through the administrator page.

- **Data loss prevention:** Protects sensitive data like personally identifiable information and payment card industry data stored in Dropbox Business accounts.
- **eDiscovery and legal hold:** Enables secure search and the ability to collect and preserve electronically stored information in Dropbox Business accounts.
- **Digital rights management:** Provides third-party encryption for company data stored in Dropbox Business accounts.
- **Data migration and on-premises backup:** Assists in transferring large amounts of data between locations and securing sensitive information with on-site data backup.
- **Identity management:** Allows companies to keep their Dropbox Business team authenticated with an external identity provider like Active Directory.

Our Subscription Plans

We offer subscription plans to serve the varying needs of our diverse customer base, which includes individuals, families, teams, and organizations of all sizes. Our monthly subscription pricing for Individuals and Business are as follows:

Dropbox subscription plans

| | Personal | | | Business | | | |
|------------------------|----------------------------|------------------------------------|------------------------------------|--------------------------------------|--|--|--|
| | Basic | Plus | Family | Professional | Standard | Advanced | Enterprise |
| Free | | \$11.99 / month \$119.88 / year | \$19.99 / month \$203.88 / year | \$19.99 / month \$199.00 / year | \$15.00 / user / month \$150.00 / user / year <i>3 users minimum</i> | \$25.00 / user / month \$240.00 / user / year <i>3 users minimum</i> | Negotiated pricing |
| Dropbox Transfer* | Everything in Basic | Everything in Plus | Everything in Plus | Everything in Plus | Everything in Basic | Everything in Standard | Everything in Advanced |
| Dropbox Paper | | | | | | | |
| Computer Backup | Passwords | Up to 6 users | Auto OCR | Dropbox Rewind | Dropbox Rewind | Premium previews | Enterprise mobility management (EMM) |
| File requests | Vault* | Family Room folder | Image search | Smart Sync and Smart Sync | Smart Sync and Smart Sync | Time-based comments | Network control |
| 30 day version history | Dropbox Rewind | | Watermarking | Auto-Evict | Auto-Evict | Viewer history | |
| HelloSign eSignatures | Smart Sync and Smart Sync | | Shared link controls | Auto OCR, Image and full text search | Auto OCR, Image and full text search | Single sign-on integration (SSO) | Domain insights and account capture |
| | Auto-Evict | | Branded sharing | Watermarking | Watermarking | Audit logs | 24/7 phone support and advanced training |
| | Full text search | | 180 day version history | Shared link controls | Shared link controls | Device approvals | |
| | Priority email support | | Premium previews | Branded sharing | Branded sharing | Tiered admin roles | |
| | | | Time-based comments | 180 day version history | 180 day version history | Business hours phone support | |
| | | | Viewer history | Team folders | Team folders | | |
| | | | Traffic and insights | Admin console | Admin console | | |
| | | | | Granular permissions | Granular permissions | | |
| | | | | Active directory connector | Active directory connector | | |
| | | | | Enables HIPAA compliance | Enables HIPAA compliance | | |
| | | | | Unlimited API access** | Unlimited API access** | | |
| | | | | Priority email + live chat | Priority email + live chat | | |
| 2GB of storage | 2TB storage | 2TB storage | 3TB storage | 5TB storage | 5TB storage | As much storage as needed | As much storage as needed |

*Vault is only available in Plus, Family, and Professional. *Size of Dropbox Transfer varies based on Dropbox plan: Basic (100MB), Plus, Family, & Standard (2GB), Professional, Advanced, and Enterprise (100GB). Professional, Advanced, and Enterprise plans also receive advanced Transfer functionality.

**Teams have unlimited API access to productivity and security partners but may be subject to a cap on API calls to data transport partners.

Our Customers

We've built a thriving global business with 15.48 million paying users. As of December 31, 2020, we had more than 500,000 paying Dropbox Business teams. Our customer base is highly diversified, and in 2018, 2019, and 2020, no customer accounted for more than 1% of our revenue. Our customers include individuals, families, teams, and organizations of all sizes, from freelancers and small businesses to Fortune 100 companies. They work across a wide range of industries, including professional services, technology, media, education, industrials, consumer and retail, and financial services. Within companies, our platform is used by all types of teams and functions, including sales, marketing, product, design, engineering, finance, legal, and human resources.

How we support our customers

All of our users can access support through the following resources:

- **Help center:** Provides an online repository of helpful information about our platform, responses to frequently asked questions, and best practices for use.

- *Community support*: Facilitates collaboration between users on answers, solutions, and ideas about our platform in an online community.
- *Social media support*: Provides users real-time product and service updates, and offers tips and troubleshooting information.
- *Guided troubleshooting*: Offers step-by-step instructions to resolve common questions and provides a portal to submit help requests for questions that aren't otherwise available.

We also offer additional support for our paying users as described above in Our Subscription Plans.

Our Sales and Marketing Approach

As users share content and collaborate on our platform, they introduce and invite new users, driving viral growth. We generate over 90% of our revenue from self-serve channels, which limits customer acquisition costs.

We've developed an efficient marketing function that's focused on building brand awareness and reinforcing our self-serve model.

Our goal is to rapidly demonstrate the value of our platform to our users in order to convert them to paying users and upgrade them to our premium offerings. We reach them through in-product prompts and notifications, time-limited trials of paid subscription plans, email, and lifecycle marketing. In 2020, hundreds of millions of devices—including computers, phones, and tablets—were actively connected to the Dropbox platform, representing a large number of touchpoints to communicate with our users. We complement our self-serve strategy with a focused outbound sales effort targeted at organizations with existing organic adoption of Dropbox.

Once prospects are identified, our sales team works to broaden adoption of our platform into wider-scale deployments. We also acquire some users through paid marketing and distribution partnerships in which hardware manufacturers pre-install our software on their devices.

Our Technology Infrastructure and Operations

Our users trust us with their most important content, and we focus on providing them with a secure and easy-to-use platform. More than 90% of our users' data is stored on our own custom-built infrastructure, which has been designed from the ground up to be reliable and secure, and to provide annual data durability of at least 99.999999999%. We have datacenter co-location facilities in California, Oregon, Texas, and Virginia.

We also utilize Amazon Web Services, or AWS, for the remainder of our users' storage needs and to help deliver our services. These AWS datacenters are located in the United States, Australia, Europe, and Japan, which allows us to localize where content is stored. Our technology infrastructure, combined with select use of AWS resources, provides us with a distributed and scalable architecture on a global scale.

We designed our platform with multiple layers of redundancy to guard against data loss and deliver high availability. Incremental backups are performed hourly and full backups are performed daily. In addition, as a default, redundant copies of content are stored independently in at least two separate geographic regions and replicated reliably within each region.

Our Commitment to Security and Privacy

Trust is the foundation of our relationship with our users, and we take significant measures every day to protect their privacy and security.

Security

Our sophisticated infrastructure is designed to protect our users' content while it is transferred, stored, and processed. We offer multiple layers of protection, including secure file data transfer, encryption, network configuration, and application-level controls. For Dropbox Business teams, our tools also empower administrators with control and visibility features that allow them to customize our platform to their organizations' needs. Our information security policies and management framework are designed to build a culture of security, and we continually assess risks and improve the security, confidentiality, integrity, and availability of our systems. We voluntarily engage third-party security auditors to test our systems and controls at least annually against the most widely recognized security standards and regulations. We also encourage and support independent research

through our bug bounty program, where we work with leading security researchers from around the world to maintain the high standards of security our users have come to expect.

Dropbox supports HIPAA and HITECH compliance. We sign business associate agreements with our customers who require them in order to comply with the Health Insurance Portability and Accountability Act, or HIPAA, and the Health Information Technology for Economic and Clinical Health Act, or HITECH. We also offer a HIPAA assessment report performed by an independent third party.

Privacy

We are committed to keeping user data private, and are subject to a number of privacy laws and regulations such as the European Union's General Data Protection Regulation ("GDPR") and the California Consumer Privacy Act ("CCPA") in the U.S. These laws and regulations impose increasingly numerous, complex obligations on us. To comply with and manage our obligations under such privacy laws and regulations, we operate a robust privacy program and have appointed a Data Protection Officer. Our privacy policy details how we process our users' personal data as well as the steps we take to protect it. For third-party developers that create applications that connect to Dropbox, we also set forth terms and guidelines that explain their obligation to protect the privacy of Dropbox users' personal data.

Our Competition

The market for content collaboration platforms is competitive and rapidly changing. Certain features of our platform compete in the cloud storage market with products offered by Microsoft, Amazon, Apple, Slack, and Google and in the content collaboration market with products offered by Microsoft, Atlassian, and Google. We compete with Box on a more limited basis in the cloud storage market for deployments by large enterprises. We also compete with smaller private companies that offer point solutions in the cloud storage market or the content collaboration market.

We believe that the principal competitive factors in our markets include the following:

- user-centric design;
- ease of adoption and use;
- scale of user network;
- features and platform experience;
- performance;
- brand;
- security and privacy;
- accessibility across several devices, operating systems, and applications;
- third-party integration;
- customer support;
- continued innovation; and
- pricing.

We believe we compete favorably across these factors and are largely unhindered by legacy constraints. However, some of our competitors may have greater name recognition, longer operating histories, more varied services, the ability to bundle a broader range of products and services, larger marketing budgets, established marketing relationships, access to larger user bases, major distribution agreements with hardware manufacturers and resellers, and greater financial, technical, and other resources.

Intellectual Property

We believe that our intellectual property rights are valuable and important to our business. We rely on patents, patent applications, trademarks, copyrights, trade secrets, know-how license agreements, confidentiality procedures, non-disclosure agreements, employee disclosure and invention assignment agreements, and other contractual rights to establish and protect our proprietary rights. In addition, from time to time we've purchased patents, inbound licenses, trademarks, domain names, and patent applications from third parties.

We have over 1,200 issued patents and more than 450 pending patent applications in the United States and abroad. These patents and patent applications seek to protect our proprietary inventions relevant to our business. In addition, we have a large number of inbound licenses to key patents in the file collaboration, storage, syncing, and sharing markets.

We have trademark rights in our name, our logo, and other brand indicia, and have trademark registrations for select marks in the United States and many other jurisdictions around the world. We also have registered domain names for websites that we use in our business, such as www.dropbox.com, and similar variations.

We intend to pursue additional intellectual property protection to the extent we believe it would be beneficial and cost effective. Despite our efforts to protect our intellectual property rights, they may not be respected in the future or may be invalidated, circumvented, or challenged. In addition, the laws of various foreign countries where our products are distributed may not protect our intellectual property rights to the same extent as laws in the United States.

Human Capital

At Dropbox, we believe that the world can work better. But that starts with us: building a team that emphasizes the kindness and collaboration needed to grow. We believe the strength of our workforce is one of the most significant contributors to our success. As of December 31, 2020, we had 2,760 full-time employees. Of our full-time employees, 2,346 were located in the United States and 414 were employees located outside of the United States. None of our employees are represented by a labor union. We have not experienced any work stoppages, and we believe that our employee relations are strong. In October 2020, we announced our new Virtual First work model pursuant to which remote work will become the primary experience for all of our employees. As a result, we intend for our workforce to become more distributed over time.

On January 13, 2021, we announced a reduction in our global workforce of approximately 11% in order to streamline our operations and reallocate our investments to support our strategic priorities. We provided employees impacted by this reduction in force with severance packages and job placement support.

Compensation and Benefits Program

Our compensation program is designed to attract and reward talented individuals who possess the skills necessary to support our business, contribute to our strategic goals and create long-term value for our stockholders. We provide employees with competitive compensation packages that include base salary, annual incentive bonuses, 401(k) with a company match, and equity awards tied to the value of our stock price. Our comprehensive benefits package also includes medical, dental, vision, and life and disability plans.

Employee Wellness and Development

We recognize the importance of the well-being of our employees. As we shift to our Virtual First work model, we remain committed to supporting their well-being and development as our workforce becomes more distributed over time and remote work becomes the primary experience for our employees. As a result, we provide our employees with a flexible quarterly allowance that can be used to cover expenses related to health and fitness, family and caregiver support, productivity and ergonomics, financial wellness, and learning and development programs, as well as resources to help implement remote work best practices. We also develop and provide access to internal learning and development resources to assist in professional development. We aim to preserve focus and work-life balance, particularly with a distributed workforce, by supporting flexible working arrangements and efficient remote collaboration practices.

In addition, the safety of our employees is paramount to our success. We have a physical security policy applicable to all our employees, a global physical security team that is empowered to protect the safety of our employees in the event of emergencies or disasters. In response to the COVID-19 pandemic, we shifted to a remote work model for substantially all our employees, provided allowances to cover certain remote work expenses, provided access to dependent care resources and subsidized dependent care expenses. We also established Global COVID-19 Workplace Health & Safety Standards, based on guidance from public health authorities, for situations where it was necessary for employees to enter our offices.

Diversity and Inclusion

We believe that an equitable and inclusive environment comprised of diverse teams produces more creative solutions, results in better and more innovative products, and is crucial to our efforts to attract and retain key talent. We are focused on building an inclusive culture and sustaining a diverse workforce through a variety of company initiatives. As part of that effort we have a number of executive-sponsored Employee Resource Groups, or ERGs, that provide support for diverse members of

our workforce by fostering an inclusive environment and providing professional development and community-building opportunities. In addition, we provide resources and training to employees at all levels to ensure that we are hiring, promoting and retaining diverse teams, as well as sponsor a number of professional development programs to support the advance of underrepresented employees at Dropbox.

Corporate Information

We were incorporated in May 2007 as Evenflow, Inc., a Delaware corporation, and changed our name to Dropbox, Inc. in October 2009. Our principal offices are located at 1800 Owens Street, San Francisco, California, 94158, and our telephone number is (415) 857-6800. Our Class A common stock is listed on the NASDAQ Global Select Market under the symbol “DBX.”

Available Information

Our website is located at <http://www.dropbox.com/>, our investor relations website is located at <http://investors.dropbox.com/>, and our blog is located at <https://blog.dropbox.com/topics/news>. We have used, and intend to continue to use, our investor relations website, our blog, press releases, public conference calls and webcasts to disclose material non-public information and to comply with our disclosure obligations under Regulation FD. The following filings are available through our investor relations website after we file them with the SEC: Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, current reports on Form 8-K, and our Proxy Statement for our annual meeting of stockholders. These filings are also available for download free of charge on our investor relations website. The SEC also maintains an Internet website that contains reports, proxy statements and other information about issuers, like us, that file electronically with the SEC. The address of that website is www.sec.gov. The contents of these websites are not incorporated into this filing. Further, the Company’s references to the URLs for these websites are intended to be inactive textual references only.

ITEM 1A. RISK FACTORS

Investing in our Class A common stock involves a high degree of risk. In addition to the other information set forth in this Annual Report, 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 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. Our business, results of operations, financial condition, or prospects could also be harmed by risks and uncertainties that are not presently known to us or that we currently believe are not material. If any of the risks actually occur, our business, results of operations, financial condition, 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 all or part of your investment. In addition, the impacts of COVID-19 and any worsening of the economic environment may exacerbate the risks described below, any of which could have a material impact on us. This situation is changing rapidly and additional impacts may arise that we are not currently aware of.

Risks Related to Our Business and Operations

Our business depends on our ability to retain and upgrade paying users, and any decline in renewals or upgrades could adversely affect our future results of operations.

Our business depends upon our ability to maintain and expand our relationships with our users. Our business is subscription based, and paying users are not obligated to and may not renew their subscriptions after their existing subscriptions expire. As a result, we cannot provide assurance that paying users will renew their subscriptions utilizing the same tier of our products or upgrade to premium offerings. Renewals of subscriptions to our platform may decline or fluctuate because of several factors, such as dissatisfaction with our products, support, pricing, or mix of features, a user no longer having a need for our products, the availability of competitive products that are, or are perceived to be, less expensive, shifts in the mix of monthly and annual subscriptions or the impact of catastrophic events, such as the ongoing COVID-19 pandemic, on our paying users. In addition, some paying users downgrade or do not renew their subscriptions.

We encourage paying users to upgrade to our premium offerings by recommending additional features and through in-product prompts and notifications. We are focused on increasing recurring revenue and we believe that users that subscribe to our premium paid offerings demonstrate a propensity to retain and expand their deployments over time. We seek to expand within organizations through viral means by adding new users, having workplaces purchase additional products, or expanding the use of Dropbox into other departments within a workplace. We often see enterprise IT decision-makers deciding to adopt Dropbox after noticing substantial organic adoption by individuals and teams within the organization. If our paying users cancel their subscriptions or fail to renew, or if we fail to upgrade our paying users to premium offerings or expand within organizations, our business, results of operations, and financial condition may be harmed. Furthermore, we have and may continue to see an increase in customers opting for our monthly plans rather than our annual plans, including from users who upgrade to paid plans using mobile devices. As a result, if more of our users subscribe to our paid plans through mobile devices or otherwise opt for monthly plans, subscription renewals may fluctuate or decline. We believe these efforts, and certain fees from the referral of users to our partners, will generate increased recurring revenues from our existing user base. However, if users do not believe these offerings are compelling, they may not retain or expand their deployments, and we may not be able to increase the amount of recurring revenue from our user base.

Although it is important to our business that our users renew their subscriptions after their existing subscriptions expire and that we expand our commercial relationships with our users, given the volume of our users, we do not actively monitor the retention rates of our individual users. As a result, we may be unable to address any retention issues with specific users in a timely manner, which could harm our business.

Our future growth could be harmed if we fail to attract new users or convert registered users to paying users.

We must continually add new users to grow our business beyond our current user base and to replace users who choose not to continue to use our platform. Historically, our revenue has been driven by our self-serve model, and we generate more than 90% of our revenue from self-serve channels. Any decrease in user satisfaction with our products or support could harm our brand, word-of-mouth referrals, and ability to grow.

Additionally, many of our users initially access our platform free of charge. We strive to demonstrate the value of our platform to our registered users, thereby encouraging them to convert to paying users through in-product prompts and notifications, and time-limited trials of paid subscription plans. As of December 31, 2020, we served over 700 million registered users but only 15.48 million paying users. The actual number of unique users is lower than we report as one person

may register more than once for our platform. As a result, we have fewer unique registered users that we may be able to convert to paying users. A majority of our registered users may never convert to a paid subscription to our platform, and failure to convert users to a paid subscription will restrict our ability to grow our revenue.

In addition, our user growth rate has and may continue to slow in the future as our market penetration rates increase and we turn our focus to converting registered users to paying users rather than growing the total number of registered users. The availability of less expensive and bundled competitive products also has and may continue to slow our user growth rate and negatively impact our ability to convert registered users to paying users. If we are not able to continue to expand our user base or fail to convert our registered users to paying users, demand for our paid services and our revenue may grow more slowly than expected or decline. Furthermore, catastrophic events that financially impact our registered users and other prospective paying users, such as the ongoing COVID-19 pandemic, may cause these users to delay or reduce technology spending, which may impact our ability to convert registered users or otherwise attract new paying users.

We have a limited history of operating with a Virtual First workforce and the long-term impact on our financial results and business operations is uncertain.

In October 2020, we announced a new Virtual First work model pursuant to which remote work will become the primary experience for all of our employees and our intention is for our workforce to become more distributed over time. However, we have a limited history of operating with a Virtual First workforce and, although we anticipate that our shift to a new Virtual First work model will have a long-term positive impact on our financial results and business operations, the impact remains uncertain. Additionally, there is no guarantee that we will realize any anticipated benefits to our business, including any cost savings, operational efficiencies, or productivity.

Our shift to Virtual First could make it increasingly difficult to manage our business and adequately oversee our employees and business functions, potentially resulting in harm to our company culture, increased employee attrition, and the loss of key personnel, as well as potentially negatively impacting product research and development and the growth of our business. We may also experience an increased risk of privacy and data security breaches involving our data or our users' content. Any of these factors could adversely affect our financial condition and operating results.

In addition, we expect that we will need less office space than we are currently contractually committed to leasing and as a result, we have and may in the future record impairment charges related to the office spaces we no longer expect to need, which has impacted and may in the future impact our ability to achieve GAAP profitability in future periods. Furthermore, a prolonged recessionary period and industry shifts towards remote work, including as a result of the COVID-19 pandemic, may prevent us from finding subtenants for our unused office space on favorable terms or at all. In the event that we are unable to sublease our space on favorable terms or at all, or if we are able to sublease space but our subtenants fail to make lease payments to us or otherwise default on their obligations to us, we may generate less sublease income than we have currently estimated, continue to incur substantial payment obligations under our leases and incur additional or higher impairment charges than we have currently estimated, any of which could materially and adversely affect our business, cash flows, results of operations, profitability, and financial condition.

We operate in competitive markets, and we must continue to compete effectively.

The market for content collaboration platforms is competitive and rapidly changing. Certain features of our platform compete in the cloud storage market with products offered by Microsoft, Amazon, Apple and Google and in the content collaboration market with products offered by Microsoft, Atlassian, Slack, and Google. We compete with Box on a more limited basis in the cloud storage market for deployments by large enterprises. We also compete with smaller private companies that offer point solutions in the cloud storage market or the content collaboration market. We believe the principal competitive factors in our markets include the following:

- user-centric design;
- ease of adoption and use;
- scale of user network;
- features and platform experience
- performance;

- brand;
- security and privacy
- accessibility across several devices, operating system, and applications;
- third-party integration;
- customer support;
- continued innovation; and
- pricing.

With the introduction of new technologies and market entrants, we expect competition to intensify. Many of our actual and potential competitors or alliances among competitors benefit from competitive advantages over us, such as greater name recognition, longer operating histories, more varied products and services, larger marketing budgets, more established marketing relationships, access to larger user bases, major distribution agreements with hardware manufacturers and resellers, and greater financial, technical, and other resources. Some of our competitors may make acquisitions or enter into strategic relationships to offer a broader range of products and services than we do. These combinations may make it more difficult for us to compete effectively. We expect these trends to continue as competitors attempt to strengthen or maintain their market positions.

Demand for our platform is also sensitive to price. Many factors, including our marketing, user acquisition and technology costs, and our current and future competitors' pricing and marketing strategies, can significantly affect our pricing strategies. Certain of our competitors offer, or may in the future offer, lower-priced or free products or services that compete with our platform or may bundle and offer a broader range of products and services.

Similarly, certain competitors may use marketing strategies that enable them to acquire users at a lower cost than us. There can be no assurance that we will not be forced to engage in price-cutting initiatives or to increase our marketing and other expenses to attract and retain users in response to competitive pressures, either of which could materially and adversely affect our business, results of operations, and financial condition.

Our business could be damaged, and we could be subject to liability if there is any unauthorized access to our data or our users' content, including through privacy and data security breaches.

The use of our platform involves the transmission, storage, and processing of user content, some of which may be considered personally identifiable, confidential, or sensitive. We face security threats from malicious third parties that could obtain unauthorized access to our systems, infrastructure, and networks. We anticipate that these threats will continue to grow in scope and complexity over time. For example, in 2016, we learned that an old set of Dropbox user credentials for approximately 68 million accounts was released. These credentials consisted of email addresses and passwords protected by cryptographic techniques known as hashing and salting. Hashing and salting can make it more difficult to obtain the original password, but may not fully protect the original password from being obtained. We believe these Dropbox user credentials were obtained in 2012 and related to a security incident we disclosed to users. In response, we notified all existing users we believed to be affected and completed a password reset for anyone who had not updated their password since mid-2012. We have responded to this event by expanding our security team and data monitoring capabilities and continuing to work on features such as two-factor authentication to increase protection of user information. While we believe our corrective actions will reduce the likelihood of similar incidents occurring in the future, third parties might use techniques that we are unable to defend against to compromise and infiltrate our systems, infrastructure, and networks.

Emerging and evolving cybersecurity threats such as the recently reported attack on SolarWinds pose unique challenges and involve sophisticated threat actors. In this fast-changing threat environment, we have undertaken a comprehensive review of our security posture to identify gaps, threats, and vulnerabilities. As a result, we are actively taking additional and ongoing steps to further strengthen our cybersecurity capabilities. If we fail to respond appropriately to any identified gaps, threats or vulnerabilities, including by providing adequate funding and prioritizing strategic initiatives, we may face greater risk that an unauthorized party will obtain access to our systems, networks, or data. We may fail to detect the existence of a breach of user content and be unable to prevent unauthorized access to user and company content. The techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and are often not recognized until launched against a

target. They may originate from less regulated or remote areas around the world, or from state-sponsored actors. If our security measures are breached, or our users' content is otherwise accessed through unauthorized means, or if any such actions are believed to occur, our platform may be perceived as insecure, and we may lose existing users or fail to attract and retain new users.

We may rely on third parties when deploying our infrastructure, and in doing so, expose it to security risks outside of our direct control. We rely on outside vendors and contractors to perform services necessary for the operation of the business, and they may fail to adequately secure our user and company content data. This risk may increase when vendors and contractors work remotely, such as during the ongoing COVID-19 pandemic.

In addition, certain developers or other partners who create applications that integrate with our platform, may receive or store information provided by us or by our users through these applications. If these third parties or developers fail to adopt or adhere to adequate data security practices, or in the event of a breach of their networks, our data or our users' data may be improperly accessed, used, or disclosed.

Third parties may attempt to compromise our employees and their privileged access into internal systems to gain access to accounts, our information, our networks, or our systems. Employee error, malfeasance, or other errors in the storage, use, or transmission of personal information could result in an actual or perceived breach of user privacy. This risk may be heightened as we transition to a Virtual First and increasingly distributed workforce. In addition, our users may also disclose or lose control of their passwords, or use the same or similar passwords on third parties' systems, which could lead to unauthorized access to their accounts on our platform.

Any unauthorized or inadvertent access to, or an actual or perceived security breach of, our systems, infrastructure, or networks could result in an actual or perceived loss of, or unauthorized access to, our data or our users' content, regulatory investigations and orders, litigation, indemnity obligations, damages, penalties, fines, and other costs in connection with actual and alleged contractual breaches, violations of applicable laws and regulations, and other liabilities. Any such incident could also materially damage our reputation and harm our business, results of operations, and financial condition, including reducing our revenue, causing us to issue credits to users, negatively impacting our ability to accept and process user payment information, eroding our users' trust in our services and payment solutions, subjecting us to costly user notification or remediation, harming our ability to retain users, harming our brand, or increasing our cost of acquiring new users. We maintain errors, omissions, and cyber liability insurance policies covering certain security and privacy damages. However, we cannot be certain that our coverage will be adequate for liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms, or at all. Further, if a high-profile security breach occurs with respect to another content collaboration solutions provider, our users and potential users could lose trust in the security of content collaboration solutions providers generally, which could adversely impact our ability to retain users or attract new ones.

Our business could be harmed by any significant disruption of service on our platform or loss of content.

Our brand, reputation, and ability to attract, retain, and serve our users are dependent upon the reliable performance of our platform, including our underlying technical infrastructure. Our users rely on our platform to store digital copies of their valuable content, including financial records, business information, documents, photos, and other important content. Our technical infrastructure may not be adequately designed with sufficient reliability and redundancy to avoid performance delays or outages that could be harmful to our business, and turnover in our personnel, may additionally impact our ability to respond to any such delays or outages. If our platform is unavailable when users attempt to access it, or if it does not load as quickly as they expect, users may not use our platform as often in the future, or at all.

As our user base and the amount and types of information stored, synced, and shared on our platform continues to grow, we will need an increasing amount of technical infrastructure, including network capacity and computing power, to continue to satisfy the needs of our users. The vast majority of user content is stored at our own custom-built infrastructure in co-location facilities that we directly lease and operate. As we add to our infrastructure, we may move or transfer additional content.

Further, as we continue to grow and scale our business to meet the needs of our users, we may overestimate or underestimate our infrastructure capacity requirements, which could adversely affect our results of operations. The costs associated with leasing and maintaining our custom-built infrastructure in co-location facilities and third-party datacenters already constitute a significant portion of our capital and operating expenses. We continuously evaluate our short- and long-term infrastructure capacity requirements to ensure adequate capacity for new and existing users while minimizing unnecessary excess capacity costs. If we overestimate the demand for our platform and therefore secure excess infrastructure capacity, our operating margins could be reduced. If we underestimate our infrastructure capacity requirements, we may not be able to

service the expanding needs of new and existing users, and our hosting facilities, network, or systems may fail. Additionally, our ability to accurately perform capacity planning is dependent on the reliability of the global supply chain for hardware, network, and platform infrastructure equipment. Significant and unforeseen disruptions to the supply chain, including those resulting from the COVID-19 pandemic, in addition to competition for a limited supply of such equipment, may impede our ability to meet our short-term or long-term infrastructure capacity requirements. Furthermore, our efforts to mitigate such disruptions and compete for such equipment may impact the timing and magnitude of our infrastructure spending, resulting in unexpected increases in shorter-term or longer-term costs than originally projected.

In addition, the datacenters that we use are vulnerable to damage or interruption from human error, intentional bad acts, earthquakes, floods, fires, war, terrorist attacks, power losses, hardware failures, systems failures, telecommunications failures, and similar events, any of which could disrupt our service, destroy user content, or prevent us from being able to continuously back up or record changes in our users' content. In the event of significant physical damage to one of these datacenters, it may take a significant period of time to achieve full resumption of our services, and our disaster recovery planning may not account for all eventualities. Damage or interruptions to these datacenters could harm our platform and business.

The full extent of the impacts of the COVID-19 pandemic on our business is currently unknown, but it may adversely affect our financial results as well as our business operations.

The full extent of the impacts of the COVID-19 pandemic on our financial results and business operations are currently unknown and cannot be estimated with any degree of certainty. Impacts to our financial results may include, without limitation, (1) negative impacts to our current and prospective users' purchases or renewals of paid licenses for access to our platform, delays or defaults on payment obligations, which could negatively affect our revenues and cash flows, (2) modifications to net payment terms or invoice frequency, which could negatively affect our cash flows, (3) fluctuations in foreign currency exchange rates, which have and may in the future negatively impact our results of operations and cash flows, and (4) decreases in interest rates, which have and may continue to reduce interest income. Impacts to our business operations may include, without limitation, (1) disruptions to our sales operations and marketing efforts, (2) negative impacts to the financial condition or operations of our vendors and business partners, as well as disruptions to the supply chain of hardware needed to offer our services, (3) disruptions to our ability to conduct product development and other important business activities, and (4) potential postponement or cancellation of previously planned investments or other initiatives. Accordingly, the COVID-19 pandemic may have a negative impact on our financial results as well as our business operations, the magnitude and duration of which we are currently unable to predict. Additionally, concerns over the economic impact of the COVID-19 pandemic have caused extreme volatility in financial and other capital markets which may adversely impact our stock price.

We generate revenue from sales of subscriptions to our platform, and any decline in demand for our platform or for content collaboration solutions in general could negatively impact our business.

We generate, and expect to continue to generate, revenue from the sale of subscriptions to our platform. As a result, widespread acceptance and use of content collaboration solutions in general, and our platform in particular, is critical to our future growth and success. If the content collaboration market fails to grow or grows more slowly than we currently anticipate, or if the current shift to remote or distributed work does not materialize into a longer-term trend, demand for our platform could be negatively affected.

Changes in user preferences for content collaboration may have a disproportionately greater impact on us than if we offered multiple platforms or disparate products. Demand for content collaboration solutions in general, and our platform in particular, is affected by a number of factors, many of which are beyond our control. Some of these potential factors include:

- awareness of the content collaboration category generally;
- availability of products and services that compete with ours;
- the impact, scale, and duration, of trends towards or away from remote or distributed work;
- ease of adoption and use;
- features and platform experience;
- performance;
- brand;

- security and privacy;
- customer support; and
- pricing.

The content collaboration market is subject to rapidly changing user demand and trends in preferences. If we fail to successfully predict and address these changes and trends, meet user demands, or achieve more widespread market acceptance of our platform, our business, results of operations, and financial condition could be harmed.

Our business depends upon the interoperability of our platform across devices, operating systems, and third-party applications that we do not control.

One of the most important features of our platform is its broad interoperability with a range of diverse devices, operating systems, and third-party applications. Our platform is accessible from the web and from devices running Windows, Mac OS, iOS, Android, WindowsMobile, and Linux. We also have integrations with Microsoft, Adobe, Apple, Salesforce, Atlassian, Slack, BetterCloud, Google, IBM, Cisco, VMware, Okta, Symantec, Palo Alto Networks, Zoom, and a variety of other productivity, collaboration, data management, and security vendors. We are dependent on the accessibility of our platform across these third-party operating systems and applications that we do not control. Several of our competitors own, develop, operate, or distribute operating systems, app stores, third-party datacenter services, and other software, and also have material business relationships with companies that own, develop, operate, or distribute operating systems, applications markets, third-party datacenter services, and other software that our platform requires in order to operate. Moreover, some of these competitors have inherent advantages developing products and services that more tightly integrate with their software and hardware platforms or those of their business partners.

Third-party services and products are constantly evolving, and we may not be able to modify our platform to assure its compatibility with that of other third parties following development changes. In addition, some of our competitors may be able to disrupt the operations or compatibility of our platform with their products or services, or exert strong business influence on our ability to, and terms on which we, operate and distribute our platform. For example, we currently offer products that directly compete with several large technology companies that we rely on to ensure the interoperability of our platform with their products or services. We also rely on these companies to make our mobile applications available through their app stores. As our respective products evolve, we expect this level of competition to increase. Should any of our competitors modify their products or standards in a manner that degrades the functionality of our platform or gives preferential treatment to competitive products or services, whether to enhance their competitive position or for any other reason, the interoperability of our platform with these products could decrease and our business, results of operations, and financial condition could be harmed.

Failure to respond to rapid technological changes, extend our platform, or develop new features or products may harm our ability to compete effectively which would adversely affect our business.

The content collaboration market is characterized by rapid technological change and frequent new product and service introductions. Our ability to grow our user base and increase revenue from existing users will depend heavily on our ability to enhance and improve our platform, introduce new features and products, increase our strategic partnerships with third parties, and interoperate across an increasing range of devices, operating systems, and third-party applications. Users may require features and capabilities that our current platform does not have. In addition, while we believe current trends towards remote or distributed work will prove to be significant and long lasting, and that these trends will open up increased market opportunities for us, such trends or opportunities may not materialize or, if they do, we may not be able to develop new features or products, or enhance our existing offerings, sufficiently to take advantage of them. We invest significantly in research and development, and our goal is to focus our spending on measures that improve quality and ease of adoption and create organic user demand for our platform. For example, in 2017, we released Smart Sync, an advanced productivity feature, and introduced Paper, a collaborative product experience. In 2018, we announced Dropbox Extensions, which allows users to initiate and manage workflows with third-party partner applications from Dropbox. More recently, in 2019, we launched Dropbox Spaces, an evolution of the shared folder which creates a collaborative workspace for individuals and teams to work together. There is no assurance that our enhancements to our platform or our new product experiences, partnerships, features, or capabilities will be compelling to our users or gain market acceptance. If our research and development investments do not accurately anticipate user demand, we are unsuccessful in establishing or maintaining our strategic partnerships, or if we fail to develop our platform in a manner that satisfies user preferences in a timely and cost-effective manner, we may fail to retain our existing users or increase demand for our platform.

The introduction of new products and services by competitors or the development of entirely new technologies to replace existing offerings could make our platform obsolete or adversely affect our business, results of operations, and financial condition. We may experience difficulties with software development, design, or marketing that could delay or prevent our development, introduction, or implementation of new product experiences, features, or capabilities. We also may experience broad-based business or economic disruptions that could adversely affect the productivity of our employees and result in delays in the development or implementation process. For example, as a result of the ongoing COVID-19 pandemic, we are temporarily requiring substantially all of our employees to work remotely, which may lead to disruptions and decreased productivity that could result in delays in our product development process. The risk of such disruptions and decreased productivity may persist, as we transition to a Virtual First workforce. We have in the past experienced delays in our internally planned release dates of new features and capabilities, and there can be no assurance that new product experiences, features, or capabilities will be released according to schedule. Any delays could result in adverse publicity, loss of revenue or market acceptance, or claims by users brought against us, all of which could have a material and adverse effect on our reputation, business, results of operations, and financial condition. Moreover, new features may require substantial investment, and we have no assurance that such investments will be successful. If users do not widely adopt our new product experiences, features, and capabilities, we may not be able to realize a return on our investment. If we are unable to develop, license, or acquire new features and capabilities to our platform on a timely and cost-effective basis, or if such enhancements do not achieve market acceptance, our business, results of operations, and financial condition could be adversely affected.

We may not successfully manage our growth or plan for future growth.

Since our founding in 2007, we have experienced rapid growth. The growth and expansion of our business, including the introduction of new features and products, places a continuous significant strain on our management, operational, and financial resources. As we introduce new products and features, and our user base and third-party relationships expand, our information technology systems, organizational structures, and internal controls and procedures may not be adequate to support our operations. In addition, we face challenges of integrating, developing, and motivating an increasingly distributed employee base in various countries around the world. These challenges may be heightened as we transition to a Virtual First workforce and seek to align our resources in order to create a more nimble and streamlined organization. Certain members of our management have not previously worked together for an extended period of time and some do not have prior experience managing a public company, which may affect how they manage our growth. Managing our growth will also require significant expenditures and allocation of valuable management resources.

In addition, the expansion of our business may make it difficult to evaluate our future prospects. Our ability to forecast our future results of operations is subject to a number of uncertainties, including our ability to effectively plan for and model future growth. We have encountered in the past, and may encounter in the future, risks and uncertainties frequently experienced by growing companies in rapidly changing industries. If we fail to achieve the necessary level of efficiency in our organization as it grows, or if we are not able to accurately forecast future growth, our business, results of operations, and financial condition could be harmed.

We depend on our key personnel and other highly qualified personnel, and if we fail to attract, integrate, and retain our personnel, and maintain our unique corporate culture, our business could be harmed.

We depend on the continued service and performance of our key personnel. In particular, Andrew W. Houston, our Chief Executive Officer and one of our co-founders, is critical to our vision, strategic direction, culture, and offerings. From time to time, there have been changes in our management team resulting from the hiring or departure of our executives, and there may be additional changes in the future. For example, Olivia Nottebohm stepped down as our Chief Operating Officer in February 2021. While we seek to manage these transitions carefully, such changes may result in a loss of institutional knowledge and may cause disruptions to our business. If we fail to successfully integrate new key personnel into our organization or if key employees are unable to successfully transition into new roles, our business could be adversely affected.

All of our officers and key personnel are at-will employees. In addition, many of our key technologies and systems are custom-made for our business by our key personnel. The loss of key personnel, including key members of our management team, as well as certain of our key marketing, sales, product development, or technology personnel, could disrupt our operations and have an adverse effect on our ability to grow our business. In addition, while we believe our new Virtual First strategy will give us the opportunity to realign our resources in order to create a more nimble and streamlined organization, we can provide no assurance that we will be able to successfully execute on these plans, and failure to successfully manage these transitions may cause disruptions to our business.

To execute our business plan, we must attract and retain highly qualified personnel. Competition for these employees is intense, particularly in the San Francisco Bay Area where our headquarters is located, and we may not be successful in attracting and retaining qualified personnel. We have from time to time in the past experienced, and we expect to continue to

experience, difficulty in hiring and retaining highly skilled employees with appropriate qualifications. As we transition to a Virtual First workforce, our recent hires and planned hires may not become as productive as we expect, and we may be unable to hire, integrate, or retain sufficient numbers of qualified individuals. Many of the companies with which we compete for experienced personnel have greater resources than we have. In addition, in making employment decisions, particularly in the internet and high-technology industries, job candidates often consider the value of the equity they are to receive in connection with their employment. Employees may be more likely to leave us if the shares they own or the shares underlying their equity incentive awards have significantly appreciated or significantly reduced in value. Many of our employees may receive significant proceeds from sales of our equity in the public markets, which may reduce their motivation to continue to work for us. Furthermore, our workforce reduction in January 2021 may result in increased attrition beyond our intended reduction-in-force, reduce employee morale and negatively impact employee recruiting and retention. If we fail to attract new personnel, or fail to retain and motivate our current personnel, our business and growth prospects could be harmed.

Additionally, if we do not maintain and continue to develop our corporate culture as we grow and evolve, it could harm our ability to foster the innovation, creativity, and teamwork we believe that we need to support our growth. Additions of executive-level management, significant numbers of new employees, our workforce reduction and higher employee turnover could significantly and adversely impact our culture, as could our transition to a Virtual First workforce.

Our lack of a significant outbound sales force may limit the potential growth of our business.

Historically, our business model has been driven by organic adoption and viral growth, with more than 90% of our revenue generated from self-serve channels. As a result, we do not have a significant outbound sales force, which has enabled us to be more efficient with our sales and marketing spend. Furthermore, as part of our workforce reduction in January 2021 we have reduced the size of our outbound sales force to simplify and drive further efficiencies in our outbound sales operations. Although we believe our business model can continue to scale without a large outbound sales force, our word-of-mouth and user referral marketing model may not continue to be as successful as we anticipate, and our limited experience selling directly to large organizations through our outbound sales force may impede our future growth. As we continue to scale our business, an enhanced sales infrastructure could assist in reaching larger organizations and growing our revenue. Identifying and recruiting additional qualified sales personnel and training them would require significant time, expense, and attention, and would significantly impact our business model. Further, adding more sales personnel would change our cost structure and results of operations, and we may have to reduce other expenses in order to accommodate a corresponding increase in sales and marketing expenses. If our limited outbound sales force and lack of experience selling and marketing to large organizations prevents us from reaching larger organizations and growing our revenue, and if we are unable to hire, develop, and retain talented sales personnel in the future, our business, results of operations, and financial condition could be adversely affected.

We may expand sales to large organizations, which could lengthen sales cycles and result in greater deployment challenges.

As our business evolves, we may need to invest more resources into sales to large organizations. Large organizations may undertake a significant evaluation and negotiation process, which can lengthen our sales cycle. We may also face unexpected deployment challenges with large organizations or more complicated deployment of our platform. Large organizations may demand more configuration and integration of our platform or require additional security management or control features. We may spend substantial time, effort, and money on sales efforts to large organizations without any assurance that our efforts will produce any sales. Additionally, our ability to sell via an outbound sales force has been, and may continue to be, impeded by catastrophic events, including public health epidemics such as the ongoing COVID-19 pandemic, that limit our ability to travel or meet in person, as well as the reduction in the size of our outbound sales force as part of our workforce reduction in January 2021. As a result, sales to large organizations may lead to greater unpredictability in our business, results of operations, and financial condition.

Any failure to offer high-quality customer support may harm our relationships with our users and our financial results.

We have designed our platform to be easy to adopt and use with minimal to no support necessary. Any increased user demand for customer support could increase costs and harm our results of operations. In addition, as we continue to grow our operations and support our global user base, we need to be able to continue to provide efficient customer support that meets our customers' needs globally at scale. Paying users receive additional customer support features and the number of our paying users has grown significantly, which will put additional pressure on our support organization. For example, the number of paying users has grown from 8.81 million as of December 31, 2016, to 15.48 million as of December 31, 2020. If we are unable to provide efficient customer support globally at scale, our ability to grow our operations may be harmed and we may need to hire additional support personnel, which could harm our results of operations. Our new user signups are highly dependent on our business reputation and on positive recommendations from our existing users. Any failure to maintain high-quality customer

support, or a market perception that we do not maintain high-quality customer support, could harm our reputation, business, results of operations, and financial condition.

Our business depends on a strong brand, and if we are not able to maintain and enhance our brand, our ability to expand our base of users will be impaired and our business, results of operations, and financial condition will be harmed.

We believe that our brand identity and awareness have contributed to our success and have helped fuel our efficient go-to-market strategy. We also believe that maintaining and enhancing the Dropbox brand is critical to expanding our base of users. We anticipate that, as our market becomes increasingly competitive, maintaining and enhancing our brand may become increasingly difficult and expensive. Any unfavorable publicity or consumer perception of our platform or the providers of content collaboration solutions generally could adversely affect our reputation and our ability to attract and retain users. Additionally, if we fail to promote and maintain the Dropbox brand, our business, results of operations, and financial condition will be materially and adversely affected.

We are continuing to expand our operations outside the United States, where we may be subject to increased business and economic risks that could impact our results of operations.

We have paying users across 180 countries and approximately half of our revenue in the year ended December 31, 2020 was generated from paying users outside the United States. We expect to continue to expand our international operations, which may include employees working in new jurisdictions and providing our platform in additional languages. Any new markets or countries into which we attempt to sell subscriptions to our platform may not be receptive. For example, we may not be able to expand further in some markets if we are not able to satisfy certain government- and industry-specific requirements. In addition, our ability to manage our business and conduct our operations internationally requires considerable management attention and resources and is subject to the particular challenges of supporting a rapidly growing business in an environment of multiple languages, cultures, customs, legal and regulatory systems, alternative dispute systems, and commercial markets. International expansion has required, and will continue to require, investment of significant funds and other resources. Operating internationally subjects us to new risks and may increase risks that we currently face, including risks associated with:

- compliance with applicable international laws and regulations, including laws and regulations with respect to privacy, data protection, consumer protection, and unsolicited email, and the risk of penalties to our users and individual members of management or employees if our practices are deemed to be out of compliance;
- recruiting and retaining talented and capable employees outside the United States, and maintaining our company culture across all of our offices, including as we shift to a Virtual First and increasingly distributed workforce;
- providing our platform and operating our business across a significant distance, in different languages and among different cultures, including the potential need to modify our platform and features to ensure that they are culturally appropriate and relevant in different countries;
- management of an employee base in jurisdictions that may not give us the same employment and retention flexibility as does the United States;
- operating in jurisdictions that do not protect intellectual property rights to the same extent as does the United States;
- compliance by us and our business partners with anti-corruption laws, import and export control laws, tariffs, trade barriers, economic sanctions, and other regulatory limitations on our ability to provide our platform in certain international markets;
- foreign exchange controls that might require significant lead time in setting up operations in certain geographic territories and might prevent us from repatriating cash earned outside the United States;
- political and economic instability;
- changes in diplomatic and trade relationships, including the imposition of new trade restrictions, trade protection measures, import or export requirements, trade embargoes and other trade barriers;
- double taxation of our international earnings and potentially adverse tax consequences due to changes in the income and other tax laws of the United States or the international jurisdictions in which we operate;

- higher costs of doing business internationally, including increased accounting, travel, infrastructure, and legal compliance costs; and
- the impact of natural disasters and public health epidemics on employees, travel and the global economy, including the ongoing global COVID-19 pandemic

Compliance with laws and regulations applicable to our global operations substantially increases our cost of doing business in international jurisdictions. We may be unable to keep current with changes in laws and regulations as they change. Although we have implemented policies and procedures designed to support compliance with these laws and regulations, there can be no assurance that we will always maintain compliance or that all of our employees, contractors, partners, and agents will comply. Any violations could result in regulatory investigations and enforcement actions, fines, civil and criminal penalties, damages, injunctions, or reputational harm. If we are unable to comply with these laws and regulations or manage the complexity of our global operations successfully, our business, results of operations, and financial condition could be adversely affected.

We depend on our infrastructure and third-party datacenters, and any disruption in the operation of these facilities or failure to renew the services could adversely affect our business.

We host our services and serve all of our users using a combination of our own custom-built infrastructure that we lease and operate in co-location facilities and third-party datacenter services such as Amazon Web Services. While we typically control and have access to the servers we operate in co-location facilities and the components of our custom-built infrastructure that are located in those co-location facilities, we control neither the operation of these facilities nor our third-party service providers. Furthermore, we have no physical access or control over the services provided by Amazon Web Services.

Datacenter leases and agreements with the providers of datacenter services expire at various times. The owners of these datacenters and providers of these datacenter services may have no obligation to renew their agreements with us on commercially reasonable terms, or at all. Problems faced by datacenters, with our third-party datacenter service providers, with the telecommunications network providers with whom we or they contract, or with the systems by which our telecommunications providers allocate capacity among their users, including us, could adversely affect the experience of our users. Our third-party datacenter operators could decide to close their facilities or cease providing services without adequate notice. In addition, any financial difficulties, such as bankruptcy, faced by our third-party datacenter operators or any of the service providers with whom we or they contract may have negative effects on our business, the nature and extent of which are difficult to predict.

If the datacenters and service providers that we use are unable to keep up with our growing needs for capacity, or if we are unable to renew our agreements with datacenters, and service providers on commercially reasonable terms, we may be required to transfer servers or content to new datacenters or engage new service providers, and we may incur significant costs, and possible service interruption in connection with doing so. Any changes in third-party service levels at datacenters or any real or perceived errors, defects, disruptions, or other performance problems with our platform could harm our reputation and may result in damage to, or loss or compromise of, our users' content. Interruptions in our platform might, among other things, reduce our revenue, cause us to issue refunds to users, subject us to potential liability, harm our reputation, or decrease our renewal rates.

We have relationships with third parties to provide, develop, and create applications that integrate with our platform, and our business could be harmed if we are not able to continue these relationships.

We use software and services licensed and procured from third parties to develop and offer our platform. We may need to obtain future licenses and services from third parties to use intellectual property and technology associated with the development of our platform, which might not be available to us on acceptable terms, or at all. Any loss of the right to use any software or services required for the development and maintenance of our platform could result in delays in the provision of our platform until equivalent technology is either developed by us, or, if available from others, is identified, obtained, and integrated, which could harm our platform and business. Any errors or defects in third-party software or services could result in errors or a failure of our platform, which could harm our business, results of operations, and financial condition.

We also depend on our ecosystem of developers to create applications that will integrate with our platform. As of December 31, 2020, Dropbox was receiving over 60 billion API calls per month, and more than 750,000 developers had registered and built applications on our platform. Our reliance on this ecosystem of developers creates certain business risks relating to the quality of the applications built using our APIs, service interruptions of our platform from these applications, lack of service support for these applications, and possession of intellectual property rights associated with these applications.

We may not have the ability to control or prevent these risks. As a result, issues relating to these applications could adversely affect our business, brand, and reputation.

Our use of open source software could negatively affect our ability to offer and sell subscriptions to our platform and subject us to possible litigation.

A portion of the technologies we use incorporates open source software, and we may incorporate open source software in the future. Open source software is generally licensed by its authors or other third parties under open source licenses. These licenses may subject us to certain unfavorable conditions, including requirements that we offer our platform that incorporates the open source software for no cost, that we make publicly available source code for modifications or derivative works we create based upon, incorporating or using the open source software, and/or that we license such modifications or derivative works under the terms of the particular open source license. Additionally, if a third-party software provider has incorporated open source software into software that we license from such provider, we could be required to disclose any of our source code that incorporates or is a modification of our licensed software. If an author or other third party that distributes open source software that we use or license were to allege that we had not complied with the conditions of the applicable license, we could be required to incur significant legal expenses defending against those allegations and could be subject to significant damages, enjoined from offering or selling our solutions that contained the open source software, and required to comply with the foregoing conditions. Any of the foregoing could disrupt and harm our business, results of operations, and financial condition.

Our ability to sell subscriptions to our platform could be harmed by real or perceived material defects or errors in our platform.

The software technology underlying our platform is inherently complex and may contain material defects or errors, particularly when first introduced or when new features or capabilities are released. We have from time to time found defects or errors in our platform, and new defects or errors in our existing platform or new software may be detected in the future by us or our users. There can be no assurance that our existing platform and new software will not contain defects. Any real or perceived errors, failures, vulnerabilities, or bugs in our platform could result in negative publicity or lead to data security, access, retention, or other performance issues, all of which could harm our business. The costs incurred in correcting such defects or errors may be substantial and could harm our results of operations and financial condition. Moreover, the harm to our reputation and legal liability related to such defects or errors may be substantial and could harm our business, results of operations, and financial condition.

We also utilize hardware purchased or leased and software and services licensed from third parties on our platform. Any defects in, or unavailability of, our or third-party software, services, or hardware that cause interruptions to the availability of our services, loss of data, or performance issues could, among other things:

- cause a reduction in revenue or delay in market acceptance of our platform;
- require us to issue refunds to our users or expose us to claims for damages;
- cause us to lose existing users and make it more difficult to attract new users;
- divert our development resources or require us to make extensive changes to our platform, which would increase our expenses;
- increase our technical support costs; and
- harm our reputation and brand.

We have acquired, and may in the future acquire, other businesses, and we may also receive offers to be acquired, any of which could require significant management attention, disrupt our business, or dilute stockholder value.

As part of our business strategy, we have acquired, and may in the future acquire, other companies, employee teams, or technologies to complement or expand our products, obtain personnel, or otherwise grow our business. For example, in the first fiscal quarter of 2019, we acquired HelloSign, an e-signature and document workflow platform, to expand our content collaboration capabilities to include additional business critical workflows. The pursuit of acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating, and pursuing suitable acquisitions, whether or not they are consummated.

We have limited experience making acquisitions. We may not be able to find suitable acquisition candidates and we may not be able to complete acquisitions on favorable terms, if at all. If we do complete acquisitions, we may not ultimately strengthen our competitive position or achieve the anticipated benefits from such acquisitions, due to a number of factors, including:

- acquisition-related costs, liabilities, or tax impacts, some of which may be unanticipated;
- difficulty integrating and retaining the personnel, intellectual property, technology infrastructure, and operations of an acquired business;
- ineffective or inadequate, controls, procedures, or policies at an acquired business;
- multiple product lines or services offerings, as a result of our acquisitions, that are offered, priced, and supported differently;
- potential unknown liabilities or risks associated with an acquired business, including those arising from existing contractual obligations or litigation matters;
- inability to maintain relationships with key customers, suppliers, and partners of an acquired business;
- lack of experience in new markets, products or technologies;
- diversion of management's attention from other business concerns; and
- use of resources that are needed in other parts of our business.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill. We review goodwill for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to record impairment charges based this assessment, which could adversely affect our results of operations.

We may not be able to integrate acquired businesses successfully or effectively manage the combined company following an acquisition. If we fail to successfully integrate acquisitions, or the people or technologies associated with those acquisitions, the results of operations of the combined company could be adversely affected. Any integration process will require significant time, resources, and attention from management, and disrupt the ordinary functioning of our business, and we may not be able to manage the process successfully, which could adversely affect our business, results of operations, and financial condition.

Any acquisition we complete could be viewed negatively by users, developers, partners, or investors, and could have adverse effects on our existing business relationships. In addition, we may not successfully evaluate or utilize acquired technology or accurately forecast the financial impact of an acquisition transaction, including accounting charges.

We may have to pay a substantial portion of our available cash, incur debt, or issue equity securities to pay for any such acquisitions, each of which could affect our financial condition or the value of our capital stock. The sale of equity to finance any such acquisitions could result in dilution to our stockholders. If we incur more debt, it would result in increased fixed obligations and could also subject us to covenants or other restrictions that would impede our ability to flexibly operate our business.

Our business may be significantly impacted by a change in the economy, including any resulting effect on consumer or business spending.

Our business may be affected by changes in the economy generally, including any resulting effect on spending by our business and consumer users. Some of our users may view a subscription to our platform as a discretionary purchase, and our paying users may reduce their discretionary spending on our platform during an economic downturn. If an economic downturn were to occur, we may experience such a reduction in the future, especially in the event of a prolonged recessionary period. For example, the ongoing COVID-19 pandemic and efforts to control such pandemic have resulted in economic uncertainty worldwide and may cause, or have already caused, an economic recession in the United States and elsewhere, which could cause current and prospective paying users to delay, decrease, or cancel purchases of our products and services, or delay or default on their payment obligations. As a result, our business, results of operations, and financial condition may be significantly affected by changes in the economy generally.

Our revolving credit facility provides our lenders with a first-priority lien against substantially all of our intellectual property and certain other assets, and contains financial covenants and other restrictions on our actions that may limit our operational flexibility or otherwise adversely affect our results of operations.

We are party to a revolving credit and guarantee agreement, as amended, which contains a number of covenants that limit our ability and our subsidiaries' ability to, among other things, incur additional indebtedness, pay dividends, make redemptions and repurchases of stock, make investments, loans and acquisitions, create liens, engage in transactions with affiliates, merge or consolidate with other companies, or sell substantially all of our assets. We are also required to maintain certain financial covenants, including a maximum consolidated leverage ratio and a minimum liquidity balance. The terms of our revolving credit facility may restrict our current and future operations and could adversely affect our ability to finance our future operations or capital needs or to execute preferred business strategies. In addition, complying with these covenants may make it more difficult for us to successfully execute our business strategy and compete against companies who are not subject to such restrictions.

A failure by us to comply with the covenants or payment requirements specified in our credit agreement, as amended, could result in an event of default under the agreement, which would give the lenders the right to terminate their commitments to provide additional loans under our revolving credit facility and to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be immediately due and payable. In addition, the lenders would have the right to proceed against the collateral we granted to them, which consists of substantially all our intellectual property and certain other assets. If the debt under our revolving credit facility were to be accelerated, we may not have sufficient cash or be able to borrow sufficient funds to refinance the debt or sell sufficient assets to repay the debt, which could immediately materially and adversely affect our business, cash flows, results of operations, and financial condition. Even if we were able to obtain new financing, it may not be on commercially reasonable terms or on terms that are acceptable to us.

Our operations may be interrupted and our business, results of operations, and financial condition could be adversely affected if we default on our leasing or credit obligations.

We finance a significant portion of our expenditures through leasing arrangements, and we may enter into additional similar arrangements in the future. As of December 31, 2020, we had an aggregate of \$1,624.1 million of commitments to settle contractual obligations. In particular, we utilize both finance and operating leases to finance some of our equipment, datacenters and offices. In addition, we may draw upon our revolving credit facility to finance our operations or for other corporate purposes. If we default on these leasing or credit obligations, our leasing partners and lenders may, among other things:

- require repayment of any outstanding lease obligations;
- terminate our leasing arrangements;
- terminate our access to the leased datacenters we utilize;
- stop delivery of ordered equipment;
- sell or require us to return our leased equipment;
- require repayment of any outstanding amounts drawn on our revolving credit facility;
- terminate our revolving credit facility; or
- require us to pay significant fees, penalties, or damages.

If some or all of these events were to occur, our operations may be interrupted and our ability to fund our operations or obligations, as well as our business, results of operations, and financial condition, could be adversely affected.

Risks Related to Our Financial Performance or Results

Our revenue growth rate has declined in recent periods and may continue to slow in the future.

We have experienced significant revenue growth in prior periods. However, our rates of revenue growth have slowed and may continue to slow in future periods. Many factors may contribute to declines in our growth rates, including higher market penetration, increased competition, particularly from the availability of less expensive and bundled competitive products, slowing demand for our platform, a decrease in the growth of the overall content collaboration market, a failure by us to continue capitalizing on growth opportunities, the impact of catastrophic events on economic conditions or on our current and prospective paying users, and the maturation of our business, among others. You should not rely on the revenue growth of any prior quarterly or annual period as an indication of our future performance. If our growth rates decline, investors' perceptions of our business and the trading price of our Class A common stock could be adversely affected.

We have a history of net losses, we may increase expenses in the future, and we may not be able to achieve or maintain profitability.

We have incurred net losses on an annual basis since our inception. We incurred net losses of \$256.3 million, \$52.7 million, and \$484.9 million in the years ended December 31, 2020, 2019, and 2018, respectively, and we had an accumulated deficit of \$2,241.4 million as of December 31, 2020. While we have been profitable on a GAAP basis in prior fiscal quarters, we have not been profitable for a full fiscal year, and we may not achieve or maintain profitability in future periods. As we strive to grow our business, expenses may increase, particularly as we continue to make investments to scale our business. For example, we will need an increasing amount of technical infrastructure to continue to satisfy the needs of our user base. Our research and development expenses may also increase as we plan to continue to hire employees for our engineering, product, and design teams to support these efforts. These investments may not result in increased revenue or growth in our business or our revenue may not grow to the extent we expect and expense growth may outpace revenue. Further, we have created mobile applications and mobile versions of Dropbox that are distributed to users primarily through app stores operated by Apple and Google, each of whom charge us in-application purchase fees. As a result, if more of our users subscribe to our products through mobile applications, these fees may have an adverse impact on our results of operations. In addition, although we anticipate that our shift to a new Virtual First work model will have a long-term positive impact on our financial results and business operations, the impact remains uncertain. We have incurred impairment charges related to our facilities and may incur additional or unanticipated expense related to subleasing our facilities, including lower than anticipated sublease income that may result in additional or higher impairment charges than we have currently estimated, particularly if we are unable to sublease our unused office space on favorable terms or at all or if our subtenants fail to make lease payments to us in connection with our shift to a Virtual First model. We may also encounter unforeseen or unpredictable factors, including unforeseen operating expenses, complications, or delays, which may result in increased costs, or cause us to generate less sublease income than we have currently estimated. Furthermore, it is difficult to predict the size and growth rate of our market, user demand for our platform or for any new features or products we develop, user adoption and renewal of our platform or of any new features or products we develop, the entry of competitive products and services, or the success of existing competitive products and services. As a result, we may not achieve or maintain profitability in future periods. If we fail to grow our revenue sufficiently to keep pace with our investments and other expenses, our results of operations and financial condition would be adversely affected.

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

Our quarterly results of operations, including our revenue, gross margin, operating margin, profitability, cash flow from operations, and deferred revenue, may vary significantly in the future and period-to-period comparisons of our results of operations may not be meaningful. Accordingly, the results of any one quarter should not be relied upon as an indication of future performance. For example, while we have been profitable on a GAAP basis in prior fiscal quarters, our quarterly operating results have fluctuated in the past and will fluctuate in the future. Our quarterly results of operations 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. Fluctuation in quarterly results may negatively impact the value of our securities. Factors that may cause fluctuations in our quarterly results of operations include, without limitation, those listed below:

- our ability to retain and upgrade paying users;
- our ability to attract new paying users and convert registered to paying users;
- the timing of expenses and recognition of revenue;

- the amount and timing of operating expenses related to the maintenance and expansion of our business,
- operations, and infrastructure, as well as entry into operating and finance leases;
- the timing of expenses related to acquisitions;
- any large indemnification payments to our users or other third parties;
- changes in our pricing policies or those of our competitors;
- the timing and success of new product feature and service introductions by us or our competitors;
- network outages or actual or perceived security breaches;
- changes in the competitive dynamic of our industry, including consolidation among competitors;
- changes in laws and regulations that impact our business;
- general economic and market conditions;
- catastrophic events, including earthquakes, fires, floods, tsunamis, or other weather events, power loss, telecommunications failures, software or hardware malfunctions, cyber-attack, war, or terrorist attacks, and pandemics such as the ongoing COVID-19 pandemic;
- changes in reserves or other non-cash credits or charges, such as the impairment charges related to certain of our unused office space in connection with our shift to a new Virtual First work model and releases of deferred tax asset valuation allowances; and
- any other impacts of shifting our operations to a new Virtual First work model.

Our results of operations may not immediately reflect downturns or upturns in sales because we recognize revenue from our users over the term of their subscriptions with us.

We recognize revenue from subscriptions to our platform over the terms of these subscriptions. Our subscription arrangements generally have monthly or annual contractual terms, and we also have a small percentage of multi-year contractual terms. Amounts that have been billed are initially recorded as deferred revenue until the revenue is recognized. As a result, a large portion of our revenue for each quarter reflects deferred revenue from subscriptions entered into during previous quarters, and downturns or upturns in subscription sales, or renewals and potential changes in our pricing policies may not be reflected in our results of operations until later periods. Our subscription model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as subscription revenue from new users is recognized over the applicable subscription term. By contrast, a significant majority of our costs are expensed as incurred, which occurs as soon as a user starts using our platform. As a result, an increase in users could result in our recognition of more costs than revenue in the earlier portion of the subscription term. We may not attain sufficient revenue to maintain positive cash flow from operations or achieve profitability in any given period.

Our results of operations, which are reported in U.S. dollars, could be adversely affected if currency exchange rates fluctuate substantially in the future.

We conduct our business across 180 countries around the world. As we continue to expand our international operations, we will become more exposed to the effects of fluctuations in currency exchange rates. This exposure is the result of selling in multiple currencies and operating in foreign countries where the functional currency is the local currency. In 2020, 29% of our sales were denominated in currencies other than U.S. dollars. Our expenses, by contrast, are primarily denominated in U.S. dollars. As a result, any increase in the value of the U.S. dollar against these foreign currencies, including those resulting from the impact of the COVID-19 pandemic, could cause our revenue to decline relative to our costs, thereby decreasing our gross margins. Our results of operations are primarily subject to fluctuations in the Euro and British pound sterling. Because we conduct business in currencies other than U.S. dollars, but report our results of operations in U.S. dollars, we also face remeasurement exposure to fluctuations in currency exchange rates, which could hinder our ability to predict our future results

and earnings and could materially impact our results of operations. We do not currently maintain a program to hedge exposures to non-U.S. dollar currencies.

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

As of December 31, 2020, we had \$697.7 million of federal and \$292.8 million of state net operating loss carryforwards available to reduce future taxable income. Of our federal net operating loss carryforwards, \$71.8 million will begin to expire in 2032 and \$625.9 million will carryforward indefinitely, while state net operating losses begin to expire in 2029. As of December 31, 2020, we also had \$407.6 million of foreign net operating loss carryforwards available to reduce future taxable income, which will carryforward indefinitely. In addition, we had \$22.9 million of foreign acquired net operating losses, which will carryforward indefinitely. We also had \$0.5 million of foreign tax credit carryforwards, which will carryforward indefinitely. It is possible that we will not generate taxable income in time to use these net operating loss carryforwards before their expiration or at all. Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, or the 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 attributes, such as research tax credits, to offset its post-change income may be limited. In general, an “ownership change” will occur if there is a cumulative change in our ownership by “5-percent stockholders” that exceeds 50 percentage points over a rolling three-year period. Similar rules and other limitations may apply under state tax laws. We have determined that we have experienced multiple ownership changes and, as a result, the annual utilization of our net operating loss carryforwards and other pre-change attributes will be subject to limitation. However, we do not expect that the annual limitations will significantly impact our ability to utilize our net operating loss or tax credit carryforwards prior to expiration.

Our operating results may be harmed if we are required to collect sales or other related taxes for our subscription services in jurisdictions where we have not historically done so.

We collect sales and value-added tax as part of our subscription agreements in a number of jurisdictions. One or more states or countries may seek to impose incremental or new sales, use, or other tax collection obligations on us, including for past sales by us or our resellers and other partners. A successful assertion by a state, country, or other jurisdiction that we should have been or should be collecting additional sales, use, or other taxes on our services could, among other things, result in substantial tax liabilities for past sales, create significant administrative burdens for us, discourage users from purchasing our platform, or otherwise harm our business, results of operations, and financial condition.

Our results of operations and financial condition could be materially affected by the enactment of legislation implementing changes in the U.S. or foreign taxation of international business activities or the adoption of other tax reform policies.

On December 22, 2017, the legislation commonly referred to as the 2017 Tax Reform Act was enacted, which contains significant changes to U.S. tax law, including, but not limited to, a reduction in the corporate tax rate and a transition to a new territorial system of taxation. The primary impact of the new legislation on our provision for income taxes was a reduction of the future tax benefits of our deferred tax assets as a result of the reduction in the corporate tax rate. However, since we have recorded a full valuation allowance against our deferred tax assets, these changes to U.S. tax law do not have a material impact on our provision for income taxes in our consolidated financial statements.

As part of government relief measures related to the COVID-19 pandemic, on March 27, 2020, the 2020 CARES Act was enacted in the United States, and contains several income tax provisions, including, but not limited to, changes to the rules governing net operating losses and technical corrections to certain provisions in the 2017 Tax Reform Act. However, since we have recorded a full valuation allowance against our deferred tax assets, these changes to U.S. tax law do not have a material impact on our provision for income taxes in our consolidated financial statements. In addition, although many countries in which we operate have also issued some form of COVID-19 related income tax guidance, such guidance does not have a material impact on our provision for income taxes in our consolidated financial statements as of December 31, 2020.

On June 29, 2020, California Governor Newsom signed Assembly Bill No. 85 as part of the California 2020 Budget Act which temporarily suspends the use of California net operating losses and imposes a cap on the amount of business incentive tax credits companies can utilize against their net income. This guidance does not have a material impact on our provision for income taxes in our consolidated financial statements as of December 31, 2020.

On June 7, 2019, a judicial panel of the Ninth Circuit Court of Appeals issued an opinion in *Altera Corp. v. Commissioner* that would require related parties in an intercompany cost-sharing arrangement to share expenses related to stock-based compensation. On July 22, 2019, the taxpayer requested an en banc rehearing before the full Ninth Circuit Court of Appeals and the request was denied on November 12, 2019. On February 10, 2020, the taxpayer filed a petition for writ of certiorari to the

U.S. Supreme Court, which was denied on June 22, 2020. Accordingly, we have included stock-based compensation in our cost-sharing agreements and as a result, we recognized additional state tax expenses in some jurisdictions which do not have sufficient net operating losses to offset the state income. There was no material impact on our income tax provision for the U.S. and Ireland due to our full valuation allowance.

In 2018, the European Commission (“*EC*”) introduced proposals addressing taxation of digital businesses operating within the European Union (“*EU*”) but has not reached an agreement on a sales tax with a scope limited to digital advertising services. As a result, certain countries, including the UK Italy and France, unilaterally moved to introduce their own digital service tax. In January 2021, the EC released an Inception Impact Assessment to inform stakeholders about proposed legislative changes to the taxation of the digital economy. It is intended that the new initiative will help mitigate potential distortions and fragmentation of tax rules arising in the EU single market by designing a single set of rules which is consistent with the Digital Services Act package and the EC’s digital strategy. The Organization for Economic Co-operation and Development Inclusive Framework, together with the EC proposals, will be factored into the final design of the new rules targeting taxation on digital transactions. Due to the increasing focus by government taxing authorities on multinational companies, the tax laws of certain countries in which we do business could change on a prospective or retroactive basis, and any such changes could increase our liabilities for taxes, interest and penalties, lead to higher effective tax rates, and harm our cash flows, results of operations and financial condition.

We have publicly disclosed market opportunity estimates, growth forecasts, and key metrics, including the key metrics included in this Annual Report on Form 10-K which could prove to be inaccurate, and any real or perceived inaccuracies may harm our reputation and negatively affect our business.

Market opportunity estimates and growth forecasts are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The estimates and forecasts we disclose relating to the size and expected growth of our target market may prove to be inaccurate. Even if the markets in which we compete meet the size estimates and growth we have forecasted, our business could fail to grow at similar rates, if at all. We also rely on assumptions and estimates to calculate certain of our key metrics, such as annual recurring revenue, paying users, average revenue per paying user and free cash flow. We regularly review and may adjust our processes for calculating our key metrics to improve their accuracy. Our key metrics may differ from estimates published by third parties or from similarly titled metrics of our competitors due to differences in methodology. We have found that aggregate user activity metrics are not leading indicators of revenue or conversion. For that reason, we do not comprehensively track user activity across the Dropbox platform for financial planning and forecasting purposes. If investors or analysts do not perceive our metrics to be accurate representations of our business, or if we discover material inaccuracies in our metrics, our reputation, business, results of operations, and financial condition would be harmed.

Risks Related to Legal and Regulatory Compliance

We are subject to a variety of U.S. and international laws that could subject us to claims, increase the cost of operations, or otherwise harm our business due to changes in the laws, changes in the interpretations of the laws, greater enforcement of the laws, or investigations into compliance with the laws.

We are subject to compliance with various laws, including those covering copyright, indecent content, child protection, consumer protection, and similar matters. There have been instances where improper or illegal content has been stored on our platform without our knowledge. As a service provider, we do not regularly monitor our platform to evaluate the legality of content stored on it. While to date we have not been subject to material legal or administrative actions as result of this content, the laws in this area are currently in a state of flux and vary widely between jurisdictions. Accordingly, it may be possible that in the future we and our competitors may be subject to legal actions, along with the users who uploaded such content. In addition, regardless of any legal liability we may face, our reputation could be harmed should there be an incident generating extensive negative publicity about the content stored on our platform. Such publicity could harm our business and results of operations.

We are also subject to consumer protection laws that may impact our sales and marketing efforts, including laws related to subscriptions, billing, and auto-renewal. These laws, as well as any changes in these laws, could adversely affect our self-serve model and make it more difficult for us to retain and upgrade paying users and attract new ones. Additionally, we have in the past, are currently, and may from time to time in the future become the subject of inquiries and other actions by regulatory authorities as a result of our business practices, including our subscription, billing, and auto-renewal policies. Consumer protection laws may be interpreted or applied by regulatory authorities in a manner that could require us to make changes to our operations or incur fines, penalties or settlement expenses, which may result in harm to our business, results of operations, and brand.

Our platform depends on the ability of our users to access the internet and our platform has been blocked or restricted in some countries for various reasons. For example, our platform is blocked in the People's Republic of China. If we fail to anticipate developments in the law, or fail for any reason to comply with relevant law, our platform could be further blocked or restricted and we could be exposed to significant liability that could harm our business.

We are also subject to various U.S. and international anti-corruption laws, such as the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and Irish Criminal Justice (Corruption Offences) Act 2018, as well as other similar anti-bribery and anti-kickback laws and regulations. These laws and regulations generally prohibit companies and their employees and intermediaries from authorizing, offering, or providing improper payments or benefits to officials and other recipients for improper purposes. Although we take precautions to prevent violations of these laws, our exposure for violating these laws increases as we continue to expand our international presence and any failure to comply with such laws could harm our reputation and our business.

We are subject to export and import control laws and regulations that could impair our ability to compete in international markets or subject us to liability if we violate such laws and regulations.

We are subject to U.S. export controls and sanctions regulations that prohibit the shipment or provision of certain products and services to certain countries, governments, and persons targeted by U.S. sanctions. While we take precautions to prevent our products and services from being exported in violation of these laws, including implementing IP address blocking, we cannot guarantee that the precautions we take will prevent violations of export control and sanctions laws. For example, in 2011, we provided certain downloadable portions of our software to international users that, prior to export, required either a one-time product review or application for an encryption registration number in lieu of such product review. These exports were likely made in violation of U.S. export control and sanction laws. In March 2011, we filed a Final Voluntary Self Disclosure with the U.S. Department of Commerce's Bureau of Industry and Security, or BIS, concerning these potential violations. In June 2011, BIS notified us that it had completed its review of these matters and closed its review with the issuance of a Warning Letter. No monetary penalties were assessed against us by BIS with respect to the 2011 filing. In addition, in 2017, we discovered that our platform has been accessed by certain users in apparent violation of United States sanctions regulations. We filed an Initial Voluntary Self Disclosure in October 2017 with the Office of Foreign Assets Control, or OFAC, and a Final Voluntary Self Disclosure with OFAC in February 2018. In October 2018, OFAC notified us that it had completed its review of these matters and closed its review with the issuance of a Cautionary Letter. No monetary penalties were assessed with respect to the 2018 filing. If in the future we are found to be in violation of U.S. sanctions or export control laws, it could result in substantial fines and penalties for us and for the individuals working for us.

In addition, various countries regulate the import and export of certain encryption and other technology, including import and export permitting and licensing requirements, and have enacted laws that could limit our ability to distribute our products or could limit our users' ability to access our platform in those countries. Changes in our platform or client-side software, or future changes in export and import regulations may prevent our users with international operations from deploying our platform globally or, in some cases, prevent the export or import of our platform to certain countries, governments, or persons altogether. Any change in export or import regulations, economic sanctions or related legislation, or change in the countries, governments, persons or technologies targeted by such regulations, could result in decreased use of our platform by, or in our decreased ability to export or sell subscriptions to our platform to, existing or potential users with international operations. Any decreased use of our platform or limitation on our ability to export or sell our products would likely adversely affect our business, results of operations, and financial results.

Our actual or perceived failure to comply with privacy, data protection, and information security laws, regulations, and obligations could harm our business.

We receive, store, process, and use personal information and other user content. There are numerous federal, state, local, and international laws and regulations regarding privacy, data protection, information security, and the storing, sharing, use, processing, transfer, disclosure, and protection of personal information and other content, the scope of which are changing, subject to differing interpretations, and may be inconsistent among countries, or conflict with other rules. We also post privacy policies and are subject to contractual obligations to third parties related to privacy, data protection, and information security. We strive to comply with applicable laws, regulations, policies, and other legal obligations relating to privacy, data protection, and information security to the extent possible. However, the regulatory framework for privacy and data protection worldwide is, and is likely to remain, uncertain for the foreseeable future, and it is possible that these or other actual or alleged obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices.

We also expect that there will continue to be new laws, regulations, and industry standards concerning privacy, data protection, and information security proposed and enacted in various jurisdictions. For example, in May 2018, the General Data Protection Regulation, or GDPR, went into effect in the EU. The GDPR imposed more stringent data protection requirements and provides greater penalties for noncompliance than previous data protection laws. Further, following a referendum in June 2016 in which voters in the United Kingdom approved an exit from the EU, the United Kingdom government has initiated a process to leave the EU ("Brexit"). The United Kingdom withdrew from the EU pursuant to Brexit on January 31, 2020, subject to a transition period that ended on December 31, 2020. Brexit has created uncertainty with regard to the regulation of data protection in the United Kingdom. In particular, although the United Kingdom has enacted a Data Protection Act designed to be consistent with the GDPR, it remains unclear how data transfers to and from the United Kingdom will be regulated. Additionally, although we have self-certified under the U.S.-EU and U.S.-Swiss Privacy Shield Frameworks with regard to our transfer of certain personal data from the European Economic Area ("EEA") and Switzerland to the United States, on July 16, 2020, the Court of Justice of the European Union invalidated Decision 2016/1250 on the adequacy of the protection provided by the U.S.-EU Privacy Shield Framework, and the Swiss Federal Data Protection and Information Commissioner has stated that it no longer considers the U.S.-Swiss Privacy Shield adequate for the purposes of transfers of personal data from Switzerland to the U.S. While we rely on additional legal mechanisms to transfer data from the EEA and Switzerland to the United States, there is some regulatory uncertainty surrounding the future of data transfers from these locations to the United States, and we are closely monitoring regulatory developments in this area. The California Consumer Privacy Act of 2018 (the "CCPA"), which affords consumers expanded privacy protections, went into effect on January 1, 2020. However, certain aspects of the CCPA and its enforcement remain uncertain. Additionally, a new privacy law, the California Privacy Rights Act ("CPRA"), which will go into effect on January 1, 2023, significantly modified the CCPA, potentially resulting in further uncertainty and requiring us to incur additional costs and expenses. The effects of the CCPA and the CPRA remain far-reaching, and depending on final regulatory guidance and other related developments, potentially may require us to modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply. Similarly, a number of legislative proposals in the European Union, the United States, at both the federal and state level, as well as other jurisdictions could impose new obligations in areas affecting our business. In addition, some countries are considering or have passed legislation implementing data protection requirements or requiring local storage and processing of data, or similar requirements, that could increase the cost and complexity of delivering our services.

With laws and regulations such as the GDPR in the EU and the California Consumer Privacy Act in the U.S. imposing new and relatively burdensome obligations, and with substantial uncertainty over the interpretation and application of these and other laws and regulations, we may face challenges in addressing their requirements and making necessary changes to our policies and practices, and may incur significant costs and expenses in an effort to do so. Any failure or perceived failure by us to comply with our privacy policies, our privacy-related obligations to users or other third parties, or any of our other legal obligations relating to privacy, data protection, or information security may result in governmental investigations or enforcement actions, litigation, claims, or public statements against us by consumer advocacy groups or others, and could result in significant liability or cause our users to lose trust in us, which could have an adverse effect on our reputation and business. Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations, and policies that are applicable to the businesses of our users may limit the adoption and use of, and reduce the overall demand for, our services.

Additionally, if third parties we work with, such as vendors or developers, violate applicable laws or regulations or our policies, such violations may also put our users' content at risk and could in turn have an adverse effect on our business. Any significant change to applicable laws, regulations, or industry practices regarding the collection, use, retention, security, or disclosure of our users' content, or regarding the manner in which the express or implied consent of users for the collection, use, retention, or disclosure of such content is obtained, could increase our costs and require us to modify our services and features, possibly in a material manner, which we may be unable to complete, and may limit our ability to store and process user data or develop new services and features.

Our business could be adversely impacted by changes in internet access for our users or laws specifically governing the internet.

Our platform depends on the quality of our users' access to the internet. Certain features of our platform require significant bandwidth and fidelity to work effectively. Internet access is frequently provided by companies that have significant market power that could take actions that degrade, disrupt or increase the cost of user access to our platform, which would negatively impact our business. We could incur greater operating expenses and our user acquisition and retention could be negatively impacted if network operators:

- implement usage-based pricing;

- discount pricing for competitive products;
- otherwise materially change their pricing rates or schemes;
- charge us to deliver our traffic at certain levels or at all;
- throttle traffic based on its source or type;
- implement bandwidth caps or other usage restrictions; or
- otherwise try to monetize or control access to their networks

On June 11, 2018, the repeal of the Federal Communications Commission's, or FCC, "net neutrality" rules took effect and returned to a "light-touch" regulatory framework. The prior rules were designed to ensure that all online content is treated the same by internet service providers and other companies that provide broadband services. Additionally, California and a number of other states are considering or have enacted legislation or executive actions that would regulate the conduct of broadband providers. We cannot predict whether the FCC order or state initiatives will be modified, overturned, or vacated by legal action of the court, federal legislation, or the FCC. With the repeal of net neutrality rules in effect, we could incur greater operating expenses, which could harm our results of operations. As the internet continues to experience growth in the number of users, frequency of use, and amount of data transmitted, the internet infrastructure that we and our users rely on may be unable to support the demands placed upon it. The failure of the internet infrastructure that we or our users rely on, even for a short period of time, could undermine our operations and harm our results of operations.

In addition, there are various laws and regulations that could impede the growth of the internet or other online services, and new laws and regulations may be adopted in the future. These laws and regulations could, in addition to limiting internet neutrality, involve taxation, tariffs, privacy, data protection, content, copyrights, distribution, electronic contracts and other communications, consumer protection, and the characteristics and quality of services, any of which could decrease the demand for, or the usage of, our platform. Legislators and regulators may make legal and regulatory changes, or interpret and apply existing laws, in ways that require us to incur substantial costs, expose us to unanticipated civil or criminal liability, or cause us to change our business practices. These changes or increased costs could materially harm our business, results of operations, and financial condition.

We are currently, and may be in the future, party to intellectual property rights claims and other litigation matters and, if resolved adversely, they could have a significant impact on our business, results of operations, or financial condition.

We own a large number of patents, copyrights, trademarks, domain names, and trade secrets and, from time to time, are subject to litigation based on allegations of infringement, misappropriation or other violations of intellectual property, or other rights. As we face increasing competition and gain an increasingly high profile, the possibility of intellectual property rights claims, commercial claims, and other assertions against us grows. We have in the past been, are currently, and may from time to time in the future become, a party to litigation and disputes related to our intellectual property, our business practices, transactions involving our securities and our platform. For example, we were recently subject to a number of putative class action lawsuits in state and federal court alleging federal securities law violations in connection with our IPO. Although the lawsuits in both the federal and state courts have since been dismissed, we may not be successful in an appeal proceeding or in winning dismissal of an amended complaint. The costs of supporting litigation and dispute resolution proceedings are considerable, and there can be no assurances that a favorable outcome will be obtained. Our business, results of operations, and financial condition could be materially and adversely affected by such costs and any unfavorable outcomes in current or future litigation. We may need to settle litigation and disputes on terms that are unfavorable to us, or we may be subject to an unfavorable judgment that may not be reversible upon appeal. The terms of any settlement or judgment may require us to cease some or all of our operations or pay substantial amounts to the other party. With respect to any intellectual property rights claim, we may have to seek a license to continue practices found to be in violation of third-party rights, which may not be available on reasonable terms and may significantly increase our operating expenses. A license to continue such practices may not be available to us at all, and we may be required to develop alternative non-infringing technology or practices or discontinue the practices. The development of alternative, non-infringing technology or practices could require significant effort and expense.

Our failure to protect our intellectual property rights and proprietary information could diminish our brand and other intangible assets.

We rely and expect to continue to rely on a combination of patents, patent licenses, trade secrets, domain name protections, trademarks, and copyright laws, as well as confidentiality and license agreements with our employees, consultants, and third parties, to protect our intellectual property and proprietary rights. In the United States and abroad, we have over 1,200 issued patents and more than 450 pending patent applications. However, third parties may knowingly or unknowingly infringe our proprietary rights, third parties may challenge our proprietary rights, pending and future patent, trademark, and copyright applications may not be approved, and we may not be able to prevent infringement without incurring substantial expense. We have also devoted substantial resources to the development of our proprietary technologies and related processes. In order to protect our proprietary technologies and processes, we rely in part on trade secret laws and confidentiality agreements with our employees, consultants, and third parties. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover our trade secrets, in which case we would not be able to assert trade secret rights, or develop similar technologies and processes. Further, laws in certain jurisdictions may afford little or no trade secret protection, and any changes in, or unexpected interpretations of, the intellectual property laws in any country in which we operate may compromise our ability to enforce our intellectual property rights. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights. If the protection of our proprietary rights is inadequate to prevent use or appropriation by third parties, the value of our platform, brand, and other intangible assets may be diminished and competitors may be able to more effectively replicate our platform and its features. Any of these events could materially and adversely affect our business, results of operations, and financial condition.

Risks Related to Ownership of Our Class A Common Stock

The trading price of our Class A common stock may be volatile, and you could lose all or part of your investment.

The trading price of our Class A common stock may be volatile and could be subject to fluctuations in response to various factors, some of which are beyond our control. Factors that could cause fluctuations in the trading 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 trading 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 of us, changes in financial estimates by securities analysts who follow our company, 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, features, 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 results of operations or fluctuations in our results of operations;
- actual or anticipated changes in our key metrics;
- actual or anticipated developments in our business, our competitors' businesses or the competitive landscape generally;
- actual or perceived breaches of, or failures related to, privacy, data protection or data security;
- 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, products, services, 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 and catastrophic events, including earthquakes, fires, floods, tsunamis, or other weather events, power loss, telecommunications failures, software or hardware malfunctions, cyber-attack, war, or terrorist attacks, and pandemics such as the ongoing COVID-19 pandemic.

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. For example, we were recently subject to a number of putative class action lawsuits in state and federal court alleging federal securities law violations in connection with our IPO. Although the lawsuits in both the federal and state courts have since been dismissed, we may not be successful in an appeal proceeding or in winning dismissal of an amended complaint. This recent litigation, and any securities litigation that may be instituted against us in the future, could result in substantial costs and a diversion of our management's attention and resources.

The multi-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 IPO, and it may depress the trading price of our Class A common stock.

Our Class A common stock has one vote per share, our Class B common stock has ten votes per share, and our Class C common stock has no voting rights, except as otherwise required by law. As of December 31, 2020, our directors, executive officers and holders of more than 5% of our common stock, and their respective affiliates, held in the aggregate 74.3% of the voting power of our capital stock, with Mr. Houston holding approximately 70.6% of the voting power of our capital stock. We are including Mr. Houston's Co-Founder Grant in this calculation since the shares underlying such grant are legally issued and outstanding shares of our Class A common stock and Mr. Houston is able to vote these shares prior to their vesting. Because of the ten-to-one voting ratio between our Class B and Class A common stock, the holders of our Class B common stock collectively will continue to control a majority of the combined voting power of our common stock and therefore be able to control all matters submitted to our stockholders for approval so long as the shares of Class B common stock represent at least 9.1% of all outstanding shares of our Class A and Class B common stock. This concentrated control will limit or preclude other stockholders' ability to influence corporate matters for the foreseeable future, including the election of directors, amendments of our organizational documents and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval. In addition, this may prevent or discourage unsolicited acquisition proposals or offers for our capital stock that other stockholders may feel are in their best interests as one of our stockholders.

Future transfers or sales by holders of Class B common stock will generally result in those shares converting to Class A common stock, except for certain transfers described in our amended and restated certificate of incorporation, including transfers effected for estate planning purposes where sole dispositive power and exclusive voting control with respect to the shares of Class B common stock is retained by the transferring holder and transfers between our co-founders. In addition, each outstanding share of Class B common stock held by a stockholder who is a natural person, or held by the permitted entities or permitted transferees of such stockholder (as described in our amended and restated certificate of incorporation), will convert automatically into one share of Class A common stock upon the death of such natural person. In the event of Mr. Houston's death or permanent and total disability, shares of Class B common stock held by Mr. Houston, his permitted entities or permitted transferees will convert to Class A common stock, provided that the conversion will be deferred for nine months, or up to 18 months if approved by a majority of our independent directors, following his death or permanent and total disability. Transfers between our co-founders are permitted transfers and will not result in conversion of the shares of Class B common stock that are transferred; however, upon the death or total and permanent disability of the transferring co-founder, the transferred shares would convert to Class A common stock following the deferral period of nine months, or up to 18 months if approved by a majority of our independent directors. The conversion of Class B common stock to Class A common stock will have the effect, over time, of increasing the relative voting power of those individual holders of Class B common stock who retain their shares in the long term.

In addition, because our Class C common stock carries no voting rights (except as otherwise required by law), if we issue Class C common stock in the future, the holders of Class B common stock may be able to elect all of our directors and to determine the outcome of most matters submitted to a vote of our stockholders for a longer period of time than would be the case if we issued Class A common stock rather than Class C common stock in such transactions.

Additionally, in July 2017, FTSE Russell and Standard & Poor's announced that they would cease to allow most newly public companies utilizing dual or multi-class capital structures to be included in their indices. Affected indices include the Russell 2000 and the S&P 500, S&P MidCap 400, and S&P SmallCap 600, which together make up the S&P Composite 1500. Although we have since met the requirements to be included, and are now included, in an FTSE Russell index, our multi-class capital structure still makes us ineligible for inclusion in any of the above listed S&P indices, and as a result, mutual funds, exchange-traded funds, and other investment vehicles that attempt to passively track these S&P indices will not be investing in our stock. It is as of yet unclear what effect, if any, these policies will have on the valuations of publicly traded companies excluded from one or more of these indices, but it is possible that they may depress these valuations compared to those of other similar companies that are included.

Substantial future sales could depress the market price of our Class A common stock.

The market price of our Class A common stock could decline as a result of a large number of sales of shares of such stock, and the perception that these sales could occur may also depress the market price of our Class A common stock.

In addition, we have filed registration statements to register shares reserved for future issuance under our equity compensation plans. As a result, subject to the satisfaction of applicable exercise periods, the shares issued upon exercise of outstanding stock options or upon settlement of outstanding RSU awards are available for immediate resale in the United States in the open market.

Sales of our shares may make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. These sales also could cause the trading price of our Class A common stock to fall and make it more difficult for you to sell shares of our Class A common stock.

Delaware law and provisions in our restated certificate of incorporation and restated bylaws could make a merger, tender offer, or proxy contest difficult, thereby depressing the market price of our Class A common stock.

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay, or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change of control would be beneficial to our existing stockholders. In addition, our restated certificate of incorporation and restated bylaws contain provisions that may make the acquisition of our company more difficult, including the following:

- any transaction that would result in a change in control of our company requires the approval of a majority of our outstanding Class B common stock voting as a separate class;
- our multi-class common stock structure, which provides our holders of Class B common stock with the ability to significantly influence the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the shares of our outstanding Class A common stock, Class B common stock, and Class C common stock;
- when the outstanding shares of Class B common stock represent less than a majority of the total combined voting power of our Class A and Class B common stock, or the Voting Threshold Date, our Board of Directors will be classified into three classes of directors with staggered three-year terms, and directors will only be able to be removed from office for cause;
- until the Class B common stock, as a class, converts to Class A common stock, any amendments to our restated certificate of incorporation will require the approval of two-thirds of the combined vote of our then-outstanding shares of Class A common stock and Class B common stock; and following the conversion of our Class B common stock, as a class, to Class A common stock, certain amendments to our amended and restated certificate of incorporation will require the approval of two-thirds of our then outstanding voting power;

- our amended and restated bylaws will provide that approval of stockholders holding two-thirds of our outstanding voting power voting as a single class is required for stockholders to amend or adopt any provision of our bylaws;
- after the Voting Threshold Date our stockholders will only be able to take action at a meeting of stockholders, and will not be able to take action by written consent for any matter;
- until the Voting Threshold Date, our stockholders will be able to act by written consent only if the action is first recommended or approved by the Board of Directors;
- vacancies on our Board of Directors will be able to be filled only by our Board of Directors and not by stockholders;
- only the chairman of our Board of Directors, our chief executive officer, a majority of our Board of Directors or until the Class B common stock, as a class, converts to Class A common stock, a stockholder holding thirty percent of the combined voting power of our Class A and Class B common stock are authorized to call a special meeting of stockholders;
- certain litigation against us may be required to be brought in Delaware;
- our restated certificate of incorporation authorizes undesignated preferred stock, the terms of which may be established and shares of which may be issued, without the approval of the holders of Class A common stock; and
- advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders.

These anti-takeover defenses could discourage, delay, or prevent a transaction involving a change in control of our company. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors of their choosing and to cause us to take other corporate actions they desire, any of which, under certain circumstances, 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.

Our amended and restated bylaws designate a state or federal court located within the State of Delaware as the exclusive forum for substantially all disputes between us and our stockholders, and also provide that the federal district courts will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act, each of which could limit our stockholders' ability to choose the judicial forum for disputes with us or our directors, officers, or employees.

Our amended and restated bylaws provide that, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or other employees to us or our stockholders, (3) any action arising pursuant to any provision of the Delaware General Corporation Law, or the certificate of incorporation or the amended and restated bylaws or (4) any other action asserting a claim that is governed by the internal affairs doctrine shall be the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware), in all cases subject to the court having jurisdiction over indispensable parties named as defendants.

Our amended and restated bylaws also provide that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act, or a Federal Forum Provision.

Any person or entity purchasing or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to this provision. These exclusive-forum provisions may limit a stockholder's ability to bring a claim in a judicial forum of its choosing for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers, and other employees.

If we face relevant litigation and are unable to enforce these provisions, we may incur additional costs associated with resolving the dispute in other jurisdictions, which could harm our results of operations.

We cannot guarantee that our stock repurchase program will be fully implemented or that it will enhance long-term stockholder value

In February 2020, our Board of Directors approved a stock repurchase program for the repurchase of up to \$600 million of the outstanding shares of our Class A common stock and in February 2021 our Board of Directors authorized the repurchase of up to an additional \$1 billion of the outstanding shares of our Class A common stock. The repurchase program does not have an expiration date and we are not obligated to repurchase a specified number or dollar value of shares. Share repurchases will be made from time to time in private transactions or open market purchases, as permitted by securities laws and other legal requirements. Although we have announced an intention to increase the pace of our share repurchases, any share repurchases remain subject to the circumstances in place at that time, including prevailing market prices. As a result, there can be no guarantee around the timing of our share repurchases, or that the volume of such repurchases will increase. The stock repurchase program could affect the price of our Class A common stock, increase volatility and diminish our cash reserves. Our repurchase program may be suspended or terminated at any time and, even if fully implemented, may not enhance long-term stockholder value.

We do not intend to pay dividends for the foreseeable future.

We have never declared nor paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business and fund our stock repurchase program, and we do not expect to declare or pay any dividends in the foreseeable future. As a result, stockholders must rely on sales of their Class A common stock after price appreciation as the only way to realize any future gains on their investment. In addition, our revolving credit facility contains restrictions on our ability to pay dividends.

General Risk Factors

Our business could be disrupted by catastrophic events.

Occurrence of any catastrophic event, including earthquake, fire, flood, tsunami, or other weather event, power loss, telecommunications failure, software or hardware malfunctions, cyber-attack, war, or terrorist attack, could result in lengthy interruptions in our service. Further, outbreaks of pandemic diseases, such as COVID-19, or the fear of such events, have resulted in responses, including government-imposed travel restrictions, grounding of flights, and shutdown of workplaces. As a result, we are conducting business with substantial modifications, including modifications to employee travel and employee work locations. These modifications may disrupt important business operations, such as our product development and sales and marketing activities, and the productivity of our employees.

Additionally, our U.S. headquarters and some of the datacenters we utilize are located in the San Francisco Bay Area, a region known for seismic activity, and our insurance coverage may not compensate us for losses that may occur in the event of an earthquake or other significant natural disaster. In addition, acts of terrorism could cause disruptions to the internet or the economy as a whole. Even with our disaster recovery arrangements, our service could be interrupted. If our systems were to fail or be negatively impacted as a result of a natural disaster or other event, our ability to deliver products to our users would be impaired or we could lose critical data. If we are unable to develop adequate plans to ensure that our business functions continue to operate during and after a disaster, and successfully execute on those plans in the event of a disaster or emergency, our business, results of operations, financial condition, and reputation would be harmed.

We may have exposure to greater than anticipated tax liabilities, which could adversely impact our results of operations.

While to date we have not incurred significant income taxes in operating our business, we are subject to income taxes in the United States and various jurisdictions outside of the United States. Our effective tax rate could fluctuate due to changes in the mix of earnings and losses in countries with differing statutory tax rates. Our tax expense could also be impacted by changes in non-deductible expenses, changes in excess tax benefits of stock-based compensation, changes in the valuation of deferred tax assets and liabilities and our ability to utilize them, the applicability of withholding taxes and effects from acquisitions.

Our tax provision could also be impacted by changes in accounting principles, changes in U.S. federal, state, or international tax laws applicable to corporate multinationals such as the recent legislation enacted in the United States, other fundamental law changes currently being considered by many countries, and changes in taxing jurisdictions' administrative interpretations, decisions, policies, and positions. Additionally, the Organization for Economic Co-Operation and Development

has released guidance covering various topics, including digital economy, transfer pricing, country-by-country reporting, and definitional changes to permanent establishment that could ultimately impact our tax liabilities.

We are subject to review and audit by U.S. federal, state, local, and foreign tax authorities. Such tax authorities may disagree with tax positions we take and if any such tax authority were to successfully challenge any such position, our financial results and operations could be materially and adversely affected. We may also be subject to additional tax liabilities due to changes in non-income based taxes resulting from changes in federal, state, or international tax laws, changes in taxing jurisdictions' administrative interpretations, decisions, policies, and positions, results of tax examinations, settlements or judicial decisions, changes in accounting principles, changes to the business operations, including acquisitions, as well as the evaluation of new information that results in a change to a tax position taken in a prior period.

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.

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and the rules and regulations of the applicable listing standards of the Nasdaq Global Select Market, or Nasdaq. 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 also required to provide an annual management report on the effectiveness of our disclosure controls and procedures 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 recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers. We are also continuing to improve our internal control over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs and significant management oversight. In addition, our independent registered public accounting firm is required to audit the effectiveness of our internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act annually. Testing, or the subsequent testing by our independent registered public accounting firm, may reveal material weaknesses or significant deficiencies. If material weaknesses are identified or we are not able to comply with the requirements of Section 404 in a timely manner, our reported financial results could be materially misstated, we could receive an adverse opinion regarding our internal control over financial reporting from our independent registered public accounting firm, we could be subject to investigations or sanctions by regulatory authorities and we could incur substantial expenses.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Additionally, to the extent we acquire other businesses, the acquired company may not have a sufficiently robust system of internal controls and we may uncover new deficiencies. Weaknesses in our disclosure controls and 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 that could harm our results of operations 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 also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that are required to be included 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 trading 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 Nasdaq.

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

Generally accepted accounting principles in the United States are subject to interpretation by the Financial Accounting Standards Board, or FASB, 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 results of operations, and may even affect the reporting of transactions completed before the announcement or effectiveness of a change. It is difficult to

predict the impact of future changes to accounting principles or our accounting policies, any of which could negatively affect our results of operations.

We may need additional capital, and we cannot be certain that additional financing will be available on favorable terms, or at all.

Historically, we have funded our operations and capital expenditures primarily through equity issuances, cash generated from our operations, and debt financing for capital purchases. Although we currently anticipate that our existing cash, cash equivalents and short-term investments, amounts available under our existing credit facilities, and cash flow from operations will be sufficient to meet our cash needs for the foreseeable future, we may require additional financing. We evaluate financing opportunities from time to time, and our ability to obtain financing will depend, among other things, on our development efforts, business plans, operating performance, and condition of the capital markets at the time we seek financing. We cannot assure you 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 or 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 stockholders may experience dilution.

Our Class A common stock market price and trading volume could decline if securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business.

The trading market for our Class A common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. The analysts' estimates are based upon their own opinions and are often different from our estimates or expectations. If one or more of the analysts who cover us downgrade our Class A common stock or publish inaccurate or unfavorable research about our business, the price of our securities would likely decline. If few securities analysts commence coverage of us, or if one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our securities could decrease, which might cause the price and trading volume of our Class A common stock to decline.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters is located in San Francisco, California, pursuant to operating leases that expire in 2033. We lease additional offices in San Francisco and around the world, including in Austin, Texas; Mountain View, California; Seattle, Washington; Dublin, Ireland; and Sydney, Australia. We have datacenter co-location facilities in California, Oregon, Texas, and Virginia. We believe that these facilities are generally suitable to meet our needs.

ITEM 3. LEGAL PROCEEDINGS

Legal Proceedings

We are currently involved in, and may in the future be involved in, legal proceedings, claims, and government investigations in the ordinary course of business, including legal proceedings with third parties asserting infringement of their intellectual property rights. We do not believe that any current pending matter is likely to have a material adverse impact on our consolidated results of operations, cash flows, or our financial position. However, any litigation is inherently uncertain, and any judgment or injunctive relief entered against us or any adverse settlement could materially and adversely impact our business, results of operations, financial condition, and prospects.

For example, in April 2015, Synchronoss Technologies, Inc., ("Synchronoss"), a public company that provides cloud-based products, filed a patent infringement lawsuit against us in the United States District Court for the District of New Jersey, claiming three counts of patent infringement and seeking injunctive relief. The case was subsequently transferred to the United States District Court for the Northern District of California, and at summary judgment, the court resolved all claims in our favor. Synchronoss appealed this order. On February 12, 2021, the U.S. Court of Appeals for the Federal Circuit affirmed the judgment in our favor.

In addition, four putative class action lawsuits alleging violations of the federal securities laws were filed on August 30, 2019, September 5, 2019, September 13, 2019, and October 3, 2019, in the Superior Court of the State of California, San Mateo County, against us, certain of our officers and directors, underwriters of our IPO, and Sequoia Capital XII, L.P. and certain of its affiliated entities (collectively, the "Dropbox Defendants"). On October 4, 2019, two putative class action lawsuits alleging violations of the federal securities laws were filed against the Dropbox Defendants in the U.S. District Court for the Northern District of California ("Federal Plaintiffs"). The six lawsuits each made the same or similar allegations of violations of federal securities laws, for allegedly making materially false and misleading statements in, or omitting material information from, our IPO registration statement. The plaintiffs sought unspecified monetary damages and other relief.

On March 2, 2020, the Federal Plaintiffs filed a consolidated class action complaint. On April 16, 2020, the Dropbox Defendants filed a motion to dismiss the federal consolidated class action complaint. On October 21, 2020, the federal court issued an order granting our motion to dismiss the Federal Plaintiffs' complaint with leave to amend setting a deadline of January 6, 2021 for the Federal Plaintiffs to file any amended complaint. The federal court extended this deadline to February 22, 2021 to provide time for the parties to explore resolving the case. On February 11, 2021, the parties attended mediation and reached a settlement in principle for an immaterial amount subject to final documentation and preliminary and final approval by the court.

On May 11, 2020, the Dropbox Defendants filed a motion to dismiss the consolidated state court case based on the exclusive federal forum provisions contained in our amended and restated bylaws. On December 4, 2020, the state court issued an order granting our motion to dismiss the consolidated state court case. On December 15, 2020, the State Plaintiffs filed a notice of appeal of this order. We believe the appeal and claims are without merit and we intend to vigorously defend against them.

Future litigation may be necessary, among other things, to defend ourselves or our users by determining the scope, enforceability, and validity of third-party proprietary rights or to establish our proprietary rights. The results of any current or future litigation cannot be predicted with certainty, and 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 DISCLOSURES

Not applicable.

PART II

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

Market Information for Class A Common Stock

Our Class A common stock is listed on the Nasdaq Global Market under the symbol "DBX" since March 23, 2018.

Holders of Record

As of February 16, 2021, we had 521 holders of record of our Class A and Class B common stock, respectively, and no holders of our Class C common stock. The actual number of stockholders is greater than this number of record holders and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees.

Dividend Policy

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain any future earnings and do not expect to pay any dividends in the foreseeable future. Any future determination to declare cash dividends will be made at the discretion of our Board of Directors, subject to applicable laws, and will depend on a number of factors, including our financial condition, results of operations, capital requirements, contractual restrictions, general business conditions, and other factors that our Board of Directors may deem relevant. In addition, the terms of our revolving credit facility place certain limitations on the amount of cash dividends we can pay, even if no amounts are currently outstanding.

Issuer Purchases of Equity Securities

The following table presents information with respect to Dropbox's repurchases of Class A common stock during the quarter ended December 31, 2020.

| Period | Total Number of Shares Purchased (in millions) | Average Price Paid per Share ⁽²⁾ | Total Number of Shares Purchased as Part of Publicly Announced Programs (in millions) ⁽¹⁾ | Approximate Dollar Value Shares that May Yet Be Purchase Under Publicly Announced Progra (in millions) ⁽¹⁾ |
|-----------------|--|---|--|---|
| October 1 - 31 | 0.66 | \$ 19.59 | 0.66 | \$ 409.7 |
| November 1 - 30 | 5.87 ⁽³⁾ | \$ 18.78 | 5.61 | \$ 304.3 |
| December 1 - 31 | 4.72 | \$ 21.62 | 4.72 | \$ 202.3 |
| Total | 11.25 | \$ 20.02 | 10.99 | |

⁽¹⁾ On February 20, 2020, we announced that our Board of Directors approved a stock repurchase program for the repurchase of up to \$600 million of the Company's outstanding shares of Class A common stock. On February 18, 2021, we announced that our Board of Directors authorized the repurchase of an additional \$1 billion of the outstanding shares of our Class A common stock. Under this program, shares may be repurchased, subject to general business and market conditions and other investment opportunities, through open market purchases or privately held negotiated transactions, including through Rule 10b5-1 plans, in each case as permitted by securities laws and other legal requirements. The repurchase program does not have an expiration date. See Note 12 "Stockholders' Equity" of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for additional information related to share repurchases.

⁽²⁾ Average price paid per share includes costs associated with the repurchases.

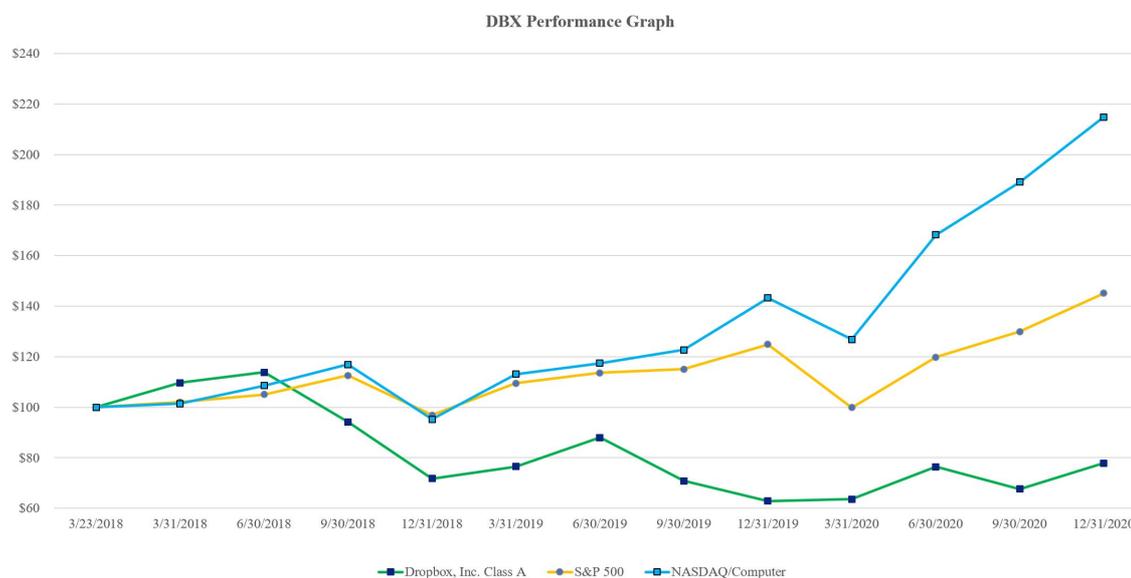
⁽³⁾ Includes 261,143 shares of restricted common stock delivered by certain employees upon vesting of restricted stock awards to satisfy tax withholding requirements.

Stock Performance Graph

This performance graph shall not be deemed "soliciting material" or to be "filed" with the Securities and Exchange Commission, or the SEC, for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act,

or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any of our filings under the Securities Act of 1933, as amended, or the Securities Act.

The following graph compares (i) the cumulative total stockholder return on our Class A common stock from March 23, 2018 (the date our Class A common stock commenced trading on the NASDAQ Global Select Market) through December 31, 2020 with (ii) the cumulative total return of the Standard & Poor's 500 Index and the NASDAQ Computer Index over the same period, assuming the investment of \$100 in our common stock and in both of the other indices on March 23, 2018 and the reinvestment of dividends. The graph uses the closing market price on March 23, 2018 of \$28.48 per share as the initial value of our common stock. As discussed above, we have never declared or paid a cash dividend on our common stock and do not anticipate declaring or paying a cash dividend in the foreseeable future.



*Returns are based on historical results and are not necessarily indicative of future performance. See the disclosure in Part I, Item 1A, “Risk Factors.”

Unregistered Sales of Equity Securities

None.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following selected consolidated financial data should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and related notes thereto included elsewhere in this Annual Report on Form 10-K. The consolidated statements of operations data for each of the years ended December 31, 2020, 2019, and 2018 and the consolidated balance sheet data as of December 31, 2020, and 2019, are derived from our audited consolidated financial statements that are included elsewhere in this Annual Report on Form 10-K. The consolidated statements of operations data for the year ended December 31, 2018 and the consolidated balance sheet data as of December 31, 2018 are derived from our audited consolidated financial statements, except as otherwise noted, that are not included in this Annual Report on Form 10-K. Our historical results are not necessarily indicative of our future results. The selected consolidated financial data in this section are not intended to replace the consolidated financial statements and related

notes thereto included elsewhere in this Annual Report on Form 10-K and are qualified in their entirety by the consolidated financial statements and related notes thereto included elsewhere in this Annual Report on Form 10-K.

Consolidated Statements of Operations Data

| | Year ended December 31, | | |
|---|---|------------|------------|
| | 2020 | 2019 | 2018 |
| | <i>(In millions except for per share amounts)</i> | | |
| Revenue | \$ 1,913.9 | \$ 1,661.3 | \$ 1,391.7 |
| Cost of revenue ⁽¹⁾ | 414.6 | 411.0 | 394.7 |
| Gross profit | 1,499.3 | 1,250.3 | 997.0 |
| Operating expenses ⁽¹⁾ : | | | |
| Research and development | 727.5 | 662.1 | 768.2 |
| Sales and marketing | 422.8 | 423.3 | 439.6 |
| General and administrative | 227.8 | 245.4 | 283.2 |
| Impairment related to real estate assets ⁽²⁾ | 398.2 | — | — |
| Total operating expenses | 1,776.3 | 1,330.8 | 1,491.0 |
| Loss from operations | (277.0) | (80.5) | (494.0) |
| Interest income, net | 1.7 | 12.5 | 7.1 |
| Other income, net | 25.1 | 16.0 | 6.8 |
| Loss before income taxes | (250.2) | (52.0) | (480.1) |
| Benefit from (provision for) income taxes | (6.1) | (0.7) | (4.8) |
| Net loss | \$ (256.3) | \$ (52.7) | \$ (484.9) |
| Net loss per share attributable to common stockholders, basic and diluted | \$ (0.62) | \$ (0.13) | \$ (1.35) |
| Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted | 414.3 | 411.6 | 358.6 |

⁽¹⁾ Includes stock-based compensation as follows:

| | Year ended December 31, | | |
|--|-------------------------|---------|---------|
| | 2020 | 2019 | 2018 |
| | <i>(In millions)</i> | | |
| Cost of revenue | \$ 17.1 | \$ 15.8 | \$ 47.0 |
| Research and development | 174.1 | 147.6 | 368.2 |
| Sales and marketing | 33.7 | 31.4 | 94.3 |
| General and administrative ⁽³⁾⁽⁴⁾ | 36.6 | 66.4 | 140.6 |

⁽²⁾ Includes impairment charges related to certain right-of-use and other lease related assets as a result of our decision to shift to a Virtual First work model. See Note 9 "Leases" of the Notes to the Consolidated Financial Statements for further information.

⁽³⁾ On March 19, 2020, one of the Company's co-founders resigned as a member of the board and as an officer of the Company, resulting in the reversal of \$23.8 million in stock-based compensation expense. Of the total amount reversed, \$21.5 million related to expense recognized prior to December 31, 2019. See Note 12 "Stockholders' Equity" of the Notes to the Consolidated Financial Statements for further information.

⁽⁴⁾ During the year ended December 31, 2018, the Company recognized the cumulative unrecognized stock-based compensation of \$418.7 million related to the two-tier restricted stock units upon the effectiveness of the Company's registration statement for its initial public offering. See Note 1 "Description of the Business and Summary of Significant Accounting Policies" of the Notes to the Consolidated Financial Statements for further details.

Consolidated Balance Sheet Data

| | As of December 31, | | |
|---|----------------------|------------|------------|
| | 2020 | 2019 | 2018 |
| | <i>(In millions)</i> | | |
| Cash, cash equivalents, and short-term investments | \$ 1,121.3 | \$ 1,159.0 | \$ 1,089.3 |
| Working capital | 139.7 | 228.4 | 372.7 |
| Property and equipment, net | 338.7 | 445.3 | 310.6 |
| Total assets | 2,387.2 | 2,699.2 | 1,694.1 |
| Deferred revenue, current and non-current | 614.2 | 559.1 | 485.6 |
| Operating lease liability, current and non current ⁽¹⁾ | 848.3 | 791.8 | — |
| Finance lease liability, current and non current | 271.2 | 214.9 | 163.7 |
| Total stockholders' equity | 333.8 | 808.4 | 676.8 |

⁽¹⁾ Includes the impact of the Company's adoption of ASU No. 2016-02, Leases (*Topic 842*) on January 1, 2019.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the section titled "Selected Consolidated Financial and Other Data" and the consolidated financial statements and related notes thereto included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in the section titled "Risk Factors" included elsewhere in this Annual Report on Form 10-K. For a comparison of our results of operations for the fiscal years ended December 31, 2019 and 2018 see Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed with the SEC on February 21, 2020.

Overview

Our modern economy runs on knowledge. Today, knowledge lives in the cloud as digital content, and Dropbox is where businesses and individuals can create, access, and share this content globally. We serve more than 700 million registered users across 180 countries.

Since our founding in 2007, our market opportunity has grown as we've expanded from keeping files in sync to keeping teams in sync. In a world where using technology at work can be fragmented and distracting, Dropbox makes it easy to focus on the work that matters.

By solving these universal problems, we've become invaluable to our users. The popularity of our platform drives viral growth, which has allowed us to scale rapidly and efficiently. We've built a thriving global business with 15.48 million paying users.

Our Subscription Plans

We generate revenue from individuals, families, teams, and organizations by selling subscriptions to our platform, which serve the varying needs of our diverse customer base. Subscribers can purchase individual licenses through our Plus and Professional plans, or purchase multiple licenses through our Family plan or our Standard, Advanced, and Enterprise team plans. Each team or family represents a separately billed deployment that is managed through a single administrative dashboard. Teams must have a minimum of three users, but can also have more than tens of thousands of users. Families can have up to six users. Customers can choose between an annual or monthly plan, with a small number of large organizations on multi-year plans. A majority of our customers opt for our annual plans, although we have seen and may continue to see an increase in customers opting for our monthly plans. We typically bill our customers at the beginning of their respective terms and recognize revenue ratably over the term of the subscription period. International customers can pay in U.S. dollars or a select number of foreign currencies.

Our premium subscription plans, such as Professional and Advanced, provide more functionality than other subscription plans and have higher per user prices. Our Standard and Advanced subscription plans offer robust capabilities for businesses, and the vast majority of Dropbox Business teams purchase our Standard or Advanced subscription plans. While our Enterprise subscription plan offers more opportunities for customization, companies can subscribe to any of these team plans for their business needs.

In 2019, we acquired HelloSign, an e-signature and document workflow platform. The acquisition of HelloSign expanded our content collaboration capabilities to include additional business-critical workflows. HelloSign has several product lines, and the pricing and revenue generated from each product line varies, with some product lines priced based on the number of licenses purchased (similar to Dropbox plans), while others are priced based on a customer's transaction volume. Depending on the product purchased, teams must have a minimum of a certain number of licenses, but can also have hundreds of users. Customers can choose between an annual or monthly plan, with a small number of large organizations on multi-year plans. We typically bill HelloSign customers at the beginning of their respective terms and recognizes revenue ratably over the subscription period. We sell HelloSign products globally and sell primarily in U.S. dollars.

Our Customers

Our customer base is highly diversified, and in the period presented, no customer accounted for more than 1% of our revenue. Our customers include individuals, families, teams, and organizations of all sizes, from freelancers and small businesses to Fortune 100 companies. They work across a wide range of industries, including professional services, technology, media, education, industrials, consumer and retail, and financial services. Within companies, our platform is used by all types of teams and functions, including sales, marketing, product, design, engineering, finance, legal, and human resources.

Our Business Model

Drive new signups

We acquire users efficiently and at relatively low costs through word-of-mouth referrals, direct in-product referrals, and sharing of content. Anyone can create a Dropbox account for free through our website or app and be up and running in minutes. These users often share and collaborate with other non-registered users, attracting new signups into our network.

Increase conversion of registered users to our paid subscription plans

We generate over 90% of our revenue from self-serve channels—users who purchase a subscription through our app or website. To grow our recurring revenue base, we actively encourage our registered users to convert to one of our paid plans based on the functionality that best suits their needs. We do this via in-product prompts and notifications, time-limited free trials of paid subscription plans, email campaigns, and lifecycle marketing. Together, these enable us to generate increased recurring revenues from our existing user base.

Upgrade and expand existing customers

We offer a range of paid subscription plans, from Plus, Professional, and Family for individuals, to Standard, Advanced, and Enterprise for teams. We analyze usage patterns within our network and run hundreds of targeted marketing campaigns to encourage paying users to upgrade their plans. We prompt individual subscribers who collaborate with others on Dropbox to purchase our Standard or Advanced plans for a better team experience, and we also encourage existing Dropbox Business teams to purchase additional licenses or to upgrade to premium subscription plans.

COVID-19 Update

Although we have seen and may continue to see an impact to our financial condition or results of operations, as described below, the full extent of the impact of the COVID-19 pandemic on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, the pace of reopening, impact on our customers and our sales cycles, impact on our business operations, impact on our customer, employee or industry events, and effect on our vendors, all of which are uncertain and cannot be predicted. The extent to which the COVID-19 pandemic may impact our business, financial condition or results of operations is uncertain, but may include, without limitation, impacts to our current and prospective users' ability to purchase or renew paid licenses for access to our platform, impacts to our paying user growth as well as disruptions to our business operations as a result of travel restrictions, shutdown of workplaces and potential impacts to our vendors.

Additionally, our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates relative to U.S. dollars, our reporting currency, as well as changes in interest rates. Volatile market conditions arising from the COVID-19 pandemic have and may continue to negatively impact our results of operations and cash flows, due to (i) a weakening of foreign currencies relative to the U.S. dollar, which have and may in the future cause our revenues to decline relative to our costs, and (ii) government-initiated reductions in interest rates, which may reduce our interest income. In certain cases, we have provided relief to our customers in the form of extending net payment terms and changing invoice frequency, which may negatively impact our accounts receivable. Conversely, we have seen and may continue to see cost savings from the shift to remote work for all of our employees in areas including events, travel, utilities, and other benefits. Due to our subscription based business model, the effect of the COVID-19 pandemic may not be fully reflected in our results of operations until future periods, if at all.

Virtual First

Furthermore, the effects of the COVID-19 pandemic have led us to reimagine the way we work, resulting in our announcement in October 2020 to shift to a new Virtual First work model pursuant to which remote work will become the primary experience for all of our employees. As a result, we intend for our workforce to become more distributed over time, although we will continue to offer our employees opportunities for in-person collaboration in all locations we currently have offices, either through our existing real-estate, or new on-demand, flexible spaces, which will be known as "Dropbox Studios". Consistent with this strategy, we will retain a portion of our office space and a portion will be marketed for sublease. We engaged a third party to estimate the fair value of the office space to be subleased based on current market conditions. Where the carrying value of the individual asset groups exceeded the fair value, an impairment charge was recognized for the difference. We recorded a corresponding impairment charge of \$398.2 million in the period ended December 31, 2020. See Note 9 "Leases" for additional information. We continue to expect to incur additional charges related to certain European leases

over the next twelve months, which could range between \$0 and \$50 million depending on the then current market and economic conditions.

While we seek to manage the implementation of this new work model carefully and we believe this model will help us reap the benefits of remote work, while maintaining a meaningful in-person experience, there is no guarantee that we will realize any anticipated benefits to our business, including any cost savings, operational efficiencies, increased employee satisfaction or increased productivity. In addition, given that we have a limited history of operating with a Virtual First workforce, the long-term impact on our financial results and business operations is uncertain. Please see Item 1A. “Risk Factors” in this Annual Report on Form 10-K for a complete description of the material risks we currently face, including risks related to the COVID-19 pandemic and our shift to a Virtual First work model.

Reduction in Force

On January 13, 2021, we announced a reduction of our global workforce by approximately 11% to streamline our team structure in support of our business priorities.

Key Business Metrics

We review a number of operating and financial metrics, including the following key metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans, and make strategic decisions.

Total annual recurring revenue

We primarily focus on total annual recurring revenue (“Total ARR”) as the key indicator of the trajectory of our business performance. Total ARR represents the amount of revenue that we expect to recur annually, enables measurement of the progress of our business initiatives, and serves as an indicator of future growth. In addition, Total ARR is less subject to variations in short-term trends that may not appropriately reflect the health of our business. Total ARR is a performance metric and should be viewed independently of revenue and deferred revenue, and is not intended to be a substitute for, or combined with, any of these items.

Total ARR consists of contributions from all of our revenue streams, including subscriptions and add-ons. We calculate Total ARR as the number of users who have active paid licenses for access to our platform as of the end of the period, multiplied by their annualized subscription price to our platform. We adjust the exchange rates used to calculate Total ARR on an annual basis at the beginning of each fiscal year.

We experienced an increase in ARR during the year ended December 31, 2020, as compared to the year ended December 31, 2019. The increase in ARR was primarily driven by an increase in paying users across our product portfolio, as well as an increased mix of sales going to our higher-priced subscription plans.

The below tables set forth our Total ARR using the exchange rates set at the beginning of each year, as well as on a constant currency basis relative to the exchange rates used in 2020.

| | As of December 31, | | |
|-----------|----------------------|----------|----------|
| | 2020 | 2019 | 2018 |
| | <i>(In millions)</i> | | |
| Total ARR | \$ 2,022 | \$ 1,820 | \$ 1,530 |

| Constant Currency | As of December 31, | | |
|-------------------|----------------------|----------|----------|
| | 2020 | 2019 | 2018 |
| | <i>(In millions)</i> | | |
| Total ARR | \$ 2,022 | \$ 1,811 | \$ 1,510 |

Revaluing our ending Total ARR for fiscal 2020 using exchange rates set at the beginning of fiscal 2021, Total ARR at the end of fiscal 2020 would be \$2,052 million.

We undertook several business initiatives that positively impacted Total ARR in the periods presented. These initiatives include the renewal of our grandfathered existing Dropbox Business teams into the Dropbox Business Advanced plan in the second quarter of 2018, and the repricing and repackaging of our existing Dropbox Plus plans in the second quarter of 2019. As of the fiscal year ended 2020, all of our existing Dropbox Plus plans have successfully migrated over to our now current pricing and packaging. In addition to these business initiatives, we also acquired HelloSign in the first quarter of 2019, resulting in a benefit to Total ARR in that period. We also undertook several initiatives to improve the conversion rate of our free users to paying users and saw benefits in Total ARR as we continued to expand our user base and saw an increased mix of sales towards our higher-priced subscription plans.

Paying users

We define paying users as the number of users who have active paid licenses for access to our platform as of the end of the period. One person would count as multiple paying users if the person had more than one active license. For example, a 50-person Dropbox Business team would count as 50 paying users, and an individual Dropbox Plus user would count as one paying user. If that individual Dropbox Plus user was also part of the 50-person Dropbox Business team, we would count the individual as two paying users.

We have experienced growth in the number of paying users across our products, with the majority of paying users for the periods presented coming from our self-serve channels.

We acquired HelloSign in the first quarter of fiscal 2019. HelloSign has several product lines and the pricing and revenue generated from each product line varies, with some product lines priced based on the number of licenses purchased (similar to Dropbox plans). For purposes of HelloSign results, we include as paying users either (i) the number of users who have active paid licenses for access to the HelloSign platform as of the period end for those products that are priced based on the number of licenses purchased (which is the same method we use to evaluate existing Dropbox plans) or (ii) the number of customers for those products that are priced based on transaction volumes.

The below table sets forth the number of paying users as of December 31, 2020, 2019, and 2018:

| | As of December 31, | | |
|--------------|---------------------------|-------------|-------------|
| | 2020 | 2019 | 2018 |
| | <i>(In millions)</i> | | |
| Paying users | 15.48 | 14.31 | 12.70 |

Average revenue per paying user

We define average revenue per paying user, or ARPU, as our revenue for the period presented divided by the average paying users during the same period. For interim periods, we use annualized revenue, which is calculated by dividing the revenue for the particular period by the number of days in that period and multiplying this value by 365 days. Average paying users are calculated based on adding the number of paying users as of the beginning of the period to the number of paying users as of the end of the period, and then dividing by two.

In the second quarter of 2019, we repackaged our existing Dropbox Plus plans to include additional features and, as a result, increased the price for new and existing users on this plan. For certain existing users at the time of the price change, the increase in price was effective on their next renewal date. As a result of the price increase, and combined with an increased mix of sales towards our higher-priced subscription plans, we experienced an increase in our average revenue per paying user for the year ended December 31, 2020, compared to the year ended December 31, 2019. As of the fiscal year ended 2020, all of our existing Dropbox Plus plans have successfully migrated over to our now current pricing and packaging.

The below table sets forth our ARPU for the years ended December 31, 2020, 2019, and 2018.

| | Year ended December 31, | | |
|------|-------------------------|-----------|-----------|
| | 2020 | 2019 | 2018 |
| ARPU | \$ 128.50 | \$ 123.07 | \$ 117.64 |

Non-GAAP Financial Measure

In addition to our results determined in accordance with U.S. generally accepted accounting principles, or GAAP, we believe that free cash flow, or FCF, a non-GAAP financial measure, is useful in evaluating our liquidity.

Free cash flow

We define FCF as GAAP net cash provided by operating activities less capital expenditures. We believe that FCF is a liquidity measure and that it provides useful information regarding cash provided by operating activities and cash used for investments in property and equipment required to maintain and grow our business. FCF is presented for supplemental informational purposes only and should not be considered a substitute for financial information presented in accordance with GAAP. FCF has limitations as an analytical tool, and it should not be considered in isolation or as a substitute for analysis of other GAAP financial measures, such as net cash provided by operating activities. Some of the limitations of FCF are that FCF does not reflect our future contractual commitments, excludes investments made to acquire assets under finance leases, and may be calculated differently by other companies in our industry, limiting its usefulness as a comparative measure.

Our FCF increased for the year ended December 31, 2020, compared to the year ended December 31, 2019, primarily due to an increase in cash provided by operating activities, which was driven by increased subscription sales, as a majority of our paying users are invoiced in advance, and a decrease in capital expenditures, due to decreased spend on office build-outs.

We expect our FCF to generally increase in future periods as we increase subscription sales and reduce our capital expenditures as we shift to a Virtual First environment. We expect to continue to purchase infrastructure equipment to support our user base, however we anticipate our capital expenditures related to our office spaces will decline as the majority of spend related to the build-out of our corporate headquarters is now complete. The timing of our operating expenses as described below, may result in FCF to vary from period to period as a percentage of revenue.

The following is a reconciliation of FCF to the most comparable GAAP measure, net cash provided by operating activities:

| | Year ended December 31, | | |
|---|-------------------------|----------|----------|
| | 2020 | 2019 | 2018 |
| | <i>(In millions)</i> | | |
| Net cash provided by operating activities | \$ 570.8 | \$ 528.5 | \$ 425.4 |
| Capital expenditures | (80.1) | (136.1) | (63.0) |
| Free cash flow | \$ 490.7 | \$ 392.4 | \$ 362.4 |

Components of Our Results of Operations

Revenue

We generate revenue from sales of subscriptions to our platform.

Revenue is recognized ratably over the related contractual term generally beginning on the date that our platform is made available to a customer. Our subscription agreements typically have monthly or annual contractual terms, although a small percentage have multi-year contractual terms. Our agreements are generally non-cancelable. We typically bill in advance for monthly contracts and annually in advance for contracts with terms of one year or longer. Amounts that have been billed are initially recorded as deferred revenue until the revenue is recognized.

Our revenue is driven primarily by conversions and upsells to our paid plans. We generate over 90% of our revenue from self-serve channels. No customer represented more than 1% of our revenue in the periods presented.

Cost of revenue and gross margin

Cost of revenue. Our cost of revenue consists primarily of expenses associated with the storage, delivery, and distribution of our platform for both paying users and free users, also known as Basic users. These costs, which we refer to as infrastructure

costs, include depreciation of our servers located in co-location facilities that we lease and operate, rent and facilities expense for those datacenters, network and bandwidth costs, support and maintenance costs for our infrastructure equipment, and payments to third-party datacenter service providers. Cost of revenue also includes costs, such as salaries, bonuses, employer payroll taxes and benefits, travel-related expenses, and stock-based compensation, which we refer to as employee-related costs, for employees whose primary responsibilities relate to supporting our infrastructure and delivering user support. Other non-employee costs included in cost of revenue include credit card fees related to processing customer transactions, and allocated overhead, such as facilities, including rent, utilities, depreciation on leasehold improvements and other equipment shared by all departments, and shared information technology costs. In addition, cost of revenue includes amortization of developed technologies, professional fees related to user support initiatives, and property taxes related to the datacenters.

We plan to continue increasing the capacity and enhancing the capability and reliability of our infrastructure to support user growth and increased use of our platform. We expect that cost of revenue will increase in absolute dollars in future periods.

Gross margin. Gross margin is gross profit expressed as a percentage of revenue. Our gross margin may fluctuate from period to period based on the timing of additional capital expenditures and the related depreciation expense, or other increases in our infrastructure costs, as well as revenue fluctuations. As we continue to utilize internal infrastructure, we generally expect our gross margin, to remain relatively constant in both the near term and long term.

Operating expenses

Research and development. Our research and development expenses consist primarily of employee-related costs for our engineering, product, and design teams, compensation expenses related to key personnel from acquisitions and allocated overhead. Additionally, research and development expenses include internal development-related third-party hosting fees. We have expensed almost all of our research and development costs as they were incurred.

We plan to continue hiring employees for our engineering, product, and design teams to support our research and development efforts. We expect that research and development costs will increase in absolute dollars in future periods and fluctuate from period to period as a percentage of revenue.

Sales and marketing. Our sales and marketing expenses relate to both self-serve and outbound sales activities, and consist primarily of employee-related costs, brand marketing costs, lead generation costs, sponsorships and allocated overhead. Sales commissions earned by our outbound sales team and the related payroll taxes, as well as commissions earned by third-party resellers that we consider to be incremental and recoverable costs of obtaining a contract with a customer, are deferred and are typically amortized over an estimated period of benefit of five years. Additionally, sales and marketing expenses include non-employee costs related to app store fees, fees payable to third-party sales representatives and amortization of acquired customer relationships.

We plan to continue to invest in sales and marketing to grow our user base and increase our brand awareness, including marketing efforts to continue to drive our self-serve business model. We expect that sales and marketing expenses will increase in absolute dollars in future periods and will fluctuate as a percentage of revenue. The trend and timing of sales and marketing expenses will depend in part on the timing of marketing campaigns.

General and administrative. Our general and administrative expenses consist primarily of employee-related costs for our legal, finance, human resources, and other administrative teams, as well as certain executives. In addition, general and administrative expenses include allocated overhead, outside legal, accounting and other professional fees, and non-income based taxes.

We expect to incur additional general and administrative expenses to support the growth of the Company. General and administrative expenses include the recognition of stock-based compensation expense related to the grant of restricted stock made to our co-founder. We expect that general and administrative expenses will fluctuate in absolute dollars in future periods and will generally decrease as a percentage of revenue, as a result of lower amortization of the right-of-use assets and depreciation of related property and equipment assets following the impairment charge recorded during the year ended December 31, 2020, and our reduction in force.

Interest income (expense), net

Interest income (expense), net consists primarily of interest income earned on our money market funds classified as cash and cash equivalents and short-term investments, partially offset by interest expense related to our finance lease obligations for infrastructure.

Other income (expense), net

Other income (expense), net consists of other non-operating gains or losses, including those related to equity investments, lease arrangements, which include sublease income, foreign currency transaction gains and losses, and realized gains and losses related to our short-term investments.

Benefit from (provision for) income taxes

Provision for income taxes consists primarily of U.S. federal and state income taxes and income taxes in certain foreign jurisdictions in which we conduct business. For the periods presented, the difference between the U.S. statutory rate and our effective tax rate is primarily due to the valuation allowance on deferred tax assets. Our effective tax rate is also impacted by earnings realized in foreign jurisdictions with statutory tax rates lower than the federal statutory tax rate. We maintain a full valuation allowance on our net deferred tax assets for federal, state, and certain foreign jurisdictions as we have concluded that it is not more likely than not that the deferred assets will be realized.

Results of Operations

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

| | Year ended December 31, | | |
|---|--------------------------------|-------------|-------------|
| | 2020 | 2019 | 2018 |
| | <i>(In millions)</i> | | |
| Revenue | \$ 1,913.9 | \$ 1,661.3 | \$ 1,391.7 |
| Cost of revenue ⁽¹⁾ | 414.6 | 411.0 | 394.7 |
| Gross profit | 1,499.3 | 1,250.3 | 997.0 |
| Operating expenses: ⁽¹⁾ | | | |
| Research and development | 727.5 | 662.1 | 768.2 |
| Sales and marketing | 422.8 | 423.3 | 439.6 |
| General and administrative | 227.8 | 245.4 | 283.2 |
| Impairment related to real estate assets ⁽²⁾ | 398.2 | — | — |
| Total operating expenses | 1,776.3 | 1,330.8 | 1,491.0 |
| Loss from operations | (277.0) | (80.5) | (494.0) |
| Interest income, net | 1.7 | 12.5 | 7.1 |
| Other income, net | 25.1 | 16.0 | 6.8 |
| Loss before income taxes | (250.2) | (52.0) | (480.1) |
| Benefit from (provision for) income taxes | (6.1) | (0.7) | (4.8) |
| Net loss | \$ (256.3) | \$ (52.7) | \$ (484.9) |

⁽¹⁾ Includes stock-based compensation as follows:

| | Year ended December 31, | | |
|---|--------------------------------|-------------|-------------|
| | 2020 | 2019 | 2018 |
| | <i>(In millions)</i> | | |
| Cost of revenue | \$ 17.1 | \$ 15.8 | \$ 47.0 |
| Research and development | 174.1 | 147.6 | 368.2 |
| Sales and marketing | 33.7 | 31.4 | 94.3 |
| General and administrative ⁽³⁾ | 36.6 | 66.4 | 140.6 |
| Total stock-based compensation ⁽⁴⁾ | \$ 261.5 | \$ 261.2 | \$ 650.1 |

⁽²⁾ Includes impairment charges related to certain right-of-use and other lease related assets as a result of our decision to shift to a Virtual First work model. See Note 9 "Leases" for further information.

⁽³⁾ On March 19, 2020, one of our co-founders resigned as a member of the board and as an officer of the Company, resulting in the reversal of \$23.8 million in stock-based compensation expense. Of the total amount reversed, \$21.5 million related to expense recognized prior to December 31, 2019. See Note 12 "Stockholders' Equity" for further information.

- (4) Upon the effectiveness of the registration statement for our initial public offering, which was March 22, 2018, the liquidity event-related performance vesting condition associated with our two-tier RSUs was satisfied. During the year ended December 31, 2018, we recognized the cumulative unrecognized stock-based compensation of \$418.7 million. See "Significant Impacts of Stock Based Compensation" for further information regarding our equity arrangements

The following table sets forth our results of operations for each of the periods presented as a percentage of revenue:

| | Year ended December 31, | | |
|---|-----------------------------------|-------|-------|
| | 2020 | 2019 | 2018 |
| | <i>As a percentage of revenue</i> | | |
| Revenue | 100 % | 100 % | 100 % |
| Cost of revenue | 22 | 25 | 28 |
| Gross profit | 78 | 75 | 72 |
| Operating expenses: | | | |
| Research and development | 38 | 40 | 55 |
| Sales and marketing | 22 | 25 | 32 |
| General and administrative | 12 | 15 | 20 |
| Impairment related to real estate assets | 21 | — | — |
| Total operating expenses | 93 | 80 | 107 |
| Loss from operations | (14) | (5) | (35) |
| Interest income, net | — | 1 | 1 |
| Other income, net | 1 | 1 | — |
| Loss before income taxes | (13) | (3) | (34) |
| Benefit from (provision for) income taxes | — | — | — |
| Net loss | (13)% | (3)% | (35)% |

Comparison of the year ended December 31, 2020 and 2019

Revenue

| | Year ended December 31, | | \$ Change | % Change |
|---------|----------------------------|------------|-----------|----------|
| | 2020 | 2019 | | |
| | <i>(In millions)</i> | | | |
| Revenue | \$ 1,913.9 | \$ 1,661.3 | \$ 252.6 | 15 % |

Revenue increased \$252.6 million or 15% during the year ended December 31, 2020, as compared to the year ended December 31, 2019. The increase in revenue was driven primarily by an increase in paying users, an increase in the price of our Plus plan, and an increased mix of sales towards our higher-priced subscription plans.

Cost of revenue, gross profit, and gross margin

| | Year ended December 31, | | \$ Change | % Change |
|-----------------|----------------------------|----------|-----------|----------|
| | 2020 | 2019 | | |
| | <i>(In millions)</i> | | | |
| Cost of revenue | \$ 414.6 | \$ 411.0 | \$ 3.6 | 1 % |
| Gross profit | 1,499.3 | 1,250.3 | 249.0 | 20 % |
| Gross margin | 78 % | 75 % | | |

Cost of revenue increased \$3.6 million or 1% during the year ended December 31, 2020, as compared to the year ended December 31, 2019, primarily due to increases of \$6.2 million in employee-related costs due to headcount growth and \$5.7 million in credit card transaction fees due to higher sales and professional fees for user support. These increases were offset by a decrease of \$8.0 million in infrastructure costs due to unit and storage cost efficiency gains related to our ongoing infrastructure optimization efforts.

Our gross margin increased from 75% during the year ended December 31, 2019 to 78% during the year ended December 31, 2020, primarily due to a 15% increase in our revenue during the period offset by a lesser increase in our cost of revenue described above.

Research and development

| | Year ended December 31, | | \$ Change | % Change |
|--------------------------|----------------------------|----------|-----------|----------|
| | 2020 | 2019 | | |
| | (In millions) | | | |
| Research and development | \$ 727.5 | \$ 662.1 | \$ 65.4 | 10 % |

Research and development expenses increased \$65.4 million or 10% during the year ended December 31, 2020, as compared to the year ended December 31, 2019, primarily due to an increase of \$62.4 million in employee-related costs due to headcount growth in the first half of the fiscal year ended 2020.

Sales and marketing

| | Year ended December 31, | | \$ Change | % Change |
|---------------------|----------------------------|----------|-----------|----------|
| | 2020 | 2019 | | |
| | (In millions) | | | |
| Sales and marketing | \$ 422.8 | \$ 423.3 | \$ (0.5) | — % |

Sales and marketing expenses decreased \$0.5 million or 0% during the year ended December 31, 2020, as compared to the year ended December 31, 2019, due to decreases of \$13.6 million related to brand marketing expenses driven by a reduction of events due to the COVID-19 pandemic, and \$6.4 million in allocated overhead, which includes facilities-related costs for our corporate headquarters. These decreases were offset by increases of \$13.2 million in app store fees due to increased sales and \$7.8 million in employee-related costs due to headcount growth in the first half of the fiscal year ended 2020.

General and administrative

| | Year ended December 31, | | \$ Change | % Change |
|----------------------------|----------------------------|----------|-----------|----------|
| | 2020 | 2019 | | |
| | (In millions) | | | |
| General and administrative | \$ 227.8 | \$ 245.4 | \$ (17.6) | (7)% |

General and administrative expense decreased \$17.6 million or 7% during the year ended December 31, 2020, as compared to the year ended December 31, 2019, primarily due to a decrease of \$29.8 million in stock-based compensation, with the majority of the decrease due to the resignation of one of our co-founders and the forfeiture of his Co-Founder Grant in the first quarter of 2020 as discussed in "--Note 12. Stockholders' Equity." The decrease was offset by increases of \$7.3 million in legal fees and insurance premiums and \$2.6 million in allocated overhead, which includes facilities-related costs for our corporate headquarters.

Impairment related to real estate assets

Impairment related to real estate assets was \$398.2 million during the year ended December 31, 2020, due to an impairment charge related to the right-of-use and other lease related assets driven by the decision to shift towards a Virtual First work model as discussed in "--Note 9. Leases."

Interest income, net

Interest income, net decreased \$10.8 million during the year ended December 31, 2020, as compared to the year ended December 31, 2019, primarily due to a decrease in interest income from our money market funds and short-term investments as a result of government-initiated interest rate reductions in response to the COVID-19 pandemic.

Other income, net

Other income, net increased \$9.1 million during the year ended December 31, 2020, as compared to the year ended December 31, 2019, primarily due to \$16.0 million in gains related to an equity investment and foreign currency transaction gains. These increases were offset by a decrease of \$6.8 million due to the disposal of infrastructure assets in the year ended December 31, 2019.

Benefit from (provision for) income taxes

Provision for income taxes increased by \$5.4 million during the year ended December 31, 2020 as compared to the year ended December 31, 2019, primarily due to a one-time tax benefit related to the acquisition of HelloSign in 2019.

Quarterly Results of Operations (Unaudited)

The following table sets forth our unaudited quarterly statements of operations data for each of the last eight quarters ended December 31, 2020. The information for each of these quarters has been prepared on the same basis as the audited annual financial statements included elsewhere in this Annual Report on Form 10-K and, in the opinion of management, includes all adjustments, which includes only normal recurring adjustments, necessary for the fair statement of the results of operations for these periods. This data should be read in conjunction with our audited consolidated financial statements and related notes thereto included elsewhere in this Annual Report on Form 10-K. These quarterly results of operations are not necessarily indicative of our future results of operations that may be expected for any future period.

| | Three months ended | | | | | | | |
|---|--|-----------------------|------------------|-------------------|----------------------|-----------------------|------------------|-------------------|
| | December 31, 2020 | September 30, 2020 | June 30, 2020 | March 31, 2020 | December 31, 2019 | September 30, 2019 | June 30, 2019 | March 31, 2019 |
| | <i>(In millions, except per share amounts)</i> | | | | | | | |
| Revenue | \$ 504.1 | \$ 487.4 | \$ 467.4 | \$ 455.0 | \$ 446.0 | \$ 428.2 | \$ 401.5 | \$ 385.6 |
| Cost of revenue ⁽¹⁾ | 105.8 | 103.2 | 102.5 | 103.1 | 104.9 | 104.8 | 102.9 | 98.4 |
| Gross profit | 398.3 | 384.2 | 364.9 | 351.9 | 341.1 | 323.4 | 298.6 | 287.2 |
| Operating expenses: ⁽¹⁾ | | | | | | | | |
| Research and development | 176.6 | 183.3 | 185.8 | 181.8 | 176.9 | 172.8 | 162.4 | 150.0 |
| Sales and marketing | 109.9 | 105.8 | 102.8 | 104.3 | 106.3 | 108.2 | 107.3 | 101.5 |
| General and administrative | 60.2 | 65.1 | 63.5 | 39.0 | 64.5 | 61.0 | 62.9 | 57.0 |
| Impairment related to real estate assets ⁽²⁾ | 398.2 | — | — | — | — | — | — | — |
| Total operating expenses | 744.9 | 354.2 | 352.1 | 325.1 | 347.7 | 342.0 | 332.6 | 308.5 |
| Income (loss) from operations | \$ (346.6) | \$ 30.0 | \$ 12.8 | \$ 26.8 | \$ (6.6) | \$ (18.6) | \$ (34.0) | \$ (21.3) |
| Net income (loss) | \$ (345.8) | \$ 32.7 | \$ 17.5 | \$ 39.3 | \$ (6.6) | \$ (17.0) | \$ (21.4) | \$ (7.7) |
| Basic net income (loss) per share | \$ (0.84) | \$ 0.08 | \$ 0.04 | \$ 0.09 | \$ (0.02) | \$ (0.04) | \$ (0.05) | \$ (0.02) |
| Diluted net income (loss) per share | \$ (0.84) | \$ 0.08 | \$ 0.04 | \$ 0.09 | \$ (0.02) | \$ (0.04) | \$ (0.05) | \$ (0.02) |

⁽¹⁾ Includes stock-based compensation as follows:

| | Three months ended | | | | | | | |
|---|----------------------|-----------------------|------------------|-------------------|----------------------|-----------------------|------------------|-------------------|
| | December 31, 2020 | September 30, 2020 | June 30, 2020 | March 31, 2020 | December 31, 2019 | September 30, 2019 | June 30, 2019 | March 31, 2019 |
| | <i>(In millions)</i> | | | | | | | |
| Cost of revenue | \$ 4.5 | \$ 4.6 | \$ 4.5 | \$ 3.5 | \$ 4.0 | \$ 4.1 | \$ 4.7 | \$ 3.0 |
| Research and development | 43.0 | 46.9 | 47.0 | 37.2 | 40.5 | 38.9 | 37.7 | 30.5 |
| Sales and marketing | 8.6 | 8.9 | 9.5 | 6.7 | 7.8 | 7.7 | 8.8 | 7.1 |
| General and administrative ⁽³⁾ | 13.3 | 15.3 | 15.6 | (7.6) | 17.0 | 17.5 | 16.9 | 15.0 |
| Total stock-based compensation ⁽⁴⁾ | \$ 69.4 | \$ 75.7 | \$ 76.6 | \$ 39.8 | \$ 69.3 | \$ 68.2 | \$ 68.1 | \$ 55.6 |

⁽²⁾ Includes impairment charges related to certain right-of-use and other lease related assets as a result of our decision to shift to a Virtual First work model. See Note 9 "Leases" for further information.

⁽³⁾ On March 19, 2020, one of our co-founders resigned as a member of the board and as an officer of the Company, resulting in the reversal of \$23.8 million in stock-based compensation expense. Of the total amount reversed, \$21.5 million related to expense recognized prior to December 31, 2019. See Note 12 "Stockholders' Equity" for further information.

⁽⁴⁾ Upon the effectiveness of the registration statement for our initial public offering, which was March 22, 2018, the liquidity event-related performance vesting condition associated with our two-tier RSUs was satisfied. During the year ended December 31, 2018, we recognized the cumulative unrecognized stock-based compensation of \$418.7 million. See "Significant Impacts of Stock Based Compensation" for further information regarding our equity arrangements.

| | Three months ended | | | | | | | |
|--|----------------------------|-----------------------|------------------|-------------------|----------------------|-----------------------|------------------|-------------------|
| | December 31, 2020 | September 30, 2020 | June 30, 2020 | March 31, 2020 | December 31, 2019 | September 30, 2019 | June 30, 2019 | March 31, 2019 |
| | <i>(As a % of revenue)</i> | | | | | | | |
| Revenue | 100 % | 100 % | 100 % | 100 % | 100 % | 100 % | 100 % | 100 % |
| Cost of revenue | 21 | 21 | 22 | 23 | 24 | 24 | 26 | 26 |
| Gross profit | 79 | 79 | 78 | 77 | 76 | 76 | 74 | 74 |
| Operating expenses: | | | | | | | | |
| Research and development | 35 | 38 | 40 | 40 | 40 | 40 | 40 | 39 |
| Sales and marketing | 22 | 22 | 22 | 23 | 24 | 25 | 27 | 26 |
| General and administrative | 12 | 13 | 14 | 9 | 14 | 14 | 16 | 15 |
| Impairment related to real estate assets | 79 | — | — | — | — | — | — | — |
| Total operating expenses | 148 | 73 | 75 | 71 | 78 | 80 | 83 | 80 |
| Income (loss) from operations | (69)% | 6 % | 3 % | 6 % | (1)% | (4)% | (8)% | (6)% |
| Net Income (loss) | (69)% | 7 % | 4 % | 9 % | (1)% | (4)% | (5)% | (2)% |

Quarterly revenue trends

Quarterly revenue increased sequentially in each of the quarters presented primarily due to increases in Total ARR, paying users, and average revenue per paying user. Seasonality in revenue is not material.

Quarterly cost of revenue and gross margin trends

Cost of revenue was relatively constant in each of the quarters presented primarily due to unit and storage cost efficiency gains related to our ongoing infrastructure optimization efforts. In addition, cost of revenue as a percentage of revenue generally decreased in the periods presented, which combined with increases in revenue caused gross margins to increase sequentially.

Quarterly operating expense trends

Excluding the impairment related to real estate assets, except for the three months ended March 31, 2020, total quarterly operating expenses generally increased sequentially in each of the quarters presented primarily due to headcount growth in connection with the expansion of the business and other events that are discussed herein. During the three months ended December 31, 2020, quarterly operating expenses increased as a percentage of revenues due to impairment charges related to the right-of-use and other lease related assets driven by the decision to shift towards a Virtual First work model as discussed in "--Note 9. Leases." Quarterly operating expenses during the three months ended March 31, 2020, was lower than other quarters due to the resignation of one of the co-founders and the forfeiture of his Co-Founder Grant as discussed in "--Note 12. Stockholders' Equity."

Research and development

Research and development expenses have generally increased sequentially in the quarters presented primarily due to employee-related costs due to headcount growth. Research and development expenses as a percentage of revenue during the three months ended December 31, 2020 decreased due to lower allocated overhead, which includes facilities-related costs for our corporate headquarters.

Sales and marketing

Sales and marketing expenses fluctuated in the quarters presented primarily due to increases in app store fees due to increased sales, and employee-related costs due to headcount growth, which was offset by a reduction in brand marketing expense due to a reduction of events as a result of the COVID-19 pandemic in the year ended December 31, 2020. Additionally, the timing of brand advertising campaigns can impact the trends in sales and marketing expenses.

General and administrative

General and administrative expenses fluctuated in the quarters presented primarily due to increases in outside services that includes legal fees and insurance premiums, and allocated overhead, which includes facilities-related costs for our corporate headquarters, offset by decreases in non-income based taxes. General and administrative expenses during the three months ended

March 31, 2020, was lower than the other quarters presented primarily due to a decrease in stock-based compensation due to the resignation of one of our co-founders and the forfeiture of his Co-Founder Grant as discussed in "--Note 12. Stockholders' Equity."

Impairment related to real estate assets

During the three months ended December 31, 2020, we recognized impairment charges related to the right-of-use and other lease related assets driven by the decision to shift towards a Virtual First work model as discussed in "--Note 9. Leases."

Liquidity and Capital Resources

As of December 31, 2020, we had cash and cash equivalents of \$314.9 million and short-term investments of \$806.4 million, which were held for working capital purposes. Our cash, cash equivalents, and short-term investments consist primarily of cash, money market funds, corporate notes and obligations, U.S. Treasury securities, certificates of deposit, asset-backed securities, commercial paper, foreign government securities, U.S. agency obligations, supranational securities, and municipal securities. As of December 31, 2020, we had \$138.1 million of our cash and cash equivalents held by our foreign subsidiaries. We do not expect to incur material taxes in the event we repatriate any of these amounts.

Since our inception, we have financed our operations primarily through equity issuances, cash generated from our operations, and finance leases to finance infrastructure-related assets in co-location facilities that we directly lease and operate. We enter into finance leases in part to better match the timing of payments for infrastructure-related assets with that of cash received from our paying users. In our business model, some of our registered users convert to paying users over time, and consequently there is a lag between initial investment in infrastructure assets and cash received from some of our users.

Our principal uses of cash in recent periods have been funding our operations, purchases of short-term investments, the satisfaction of tax withholdings in connection with the settlement of restricted stock units and awards, making principal payments on our finance lease obligations, and capital expenditures. In February 2020, our Board of Directors approved a stock repurchase program for the repurchase of up to \$600 million of the outstanding shares of our Class A common stock. In February 2021 our Board of Directors authorized the repurchase of up to an additional \$1 billion of the outstanding shares of our Class A common stock. Share repurchases will be made from time to time in private transactions or open market purchases as permitted by securities laws and other legal requirements and will be subject to a review of the circumstances in place at that time, including prevailing market prices. The program does not obligate us to repurchase any specific number of shares and has no specified time limit; it may be discontinued at any time. During the year ended December 31, 2020, we repurchased and subsequently retired 20.2 million shares of our Class A common stock for an aggregate amount of \$397.5 million.

In April 2017, we entered into a \$600.0 million credit facility with a syndicate of financial institutions. Pursuant to the terms of the revolving credit facility, we may issue letters of credit under the revolving credit facility, which reduce the total amount available for borrowing under such facility. The revolving credit facility terminates on April 4, 2022. In February 2018, we amended our revolving credit facility to, among other things, permit us to make certain investments, enter into an unsecured standby letter of credit facility, and increase our standby letter of credit sublimit to \$187.5 million. We also increased our borrowing capacity under the revolving credit facility from \$600.0 million to \$725.0 million. We may from time to time request increases in the borrowing capacity under our revolving credit facility of up to \$275.0 million, provided no event of default has occurred or is continuing or would result from such increase.

Interest on borrowings under the revolving credit facility accrues at a variable rate tied to the prime rate or the LIBOR rate, at our election. Interest is payable quarterly in arrears. Pursuant to the terms of the revolving credit facility, we are required to pay an annual commitment fee that accrues at a rate of 0.20% per annum on the unused portion of the borrowing commitments under the revolving credit facility. In addition, we are required to pay a fee in connection with letters of credit issued under the revolving credit facility that accrues at a rate of 1.5% per annum on the amount of such letters of credit outstanding. There is an additional fronting fee of 0.125% per annum multiplied by the average aggregate daily maximum amount available under all letters of credit.

The revolving credit facility contains customary conditions to borrowing, events of default, and covenants, including covenants that restrict our ability to incur indebtedness, grant liens, make distributions to our holders or our subsidiaries' equity interests, make investments, or engage in transactions with our affiliates. In addition, the revolving credit facility contains financial covenants, including a consolidated leverage ratio covenant and a minimum liquidity balance. We were in compliance with all covenants under the revolving credit facility as of December 31, 2020.

As of December 31, 2020, we had no amounts outstanding under the revolving credit facility and an aggregate of \$45.4 million in letters of credit issued under the revolving credit facility. Our total available borrowing capacity under the revolving credit facility was \$679.6 million as of December 31, 2020. In anticipation of the termination of the credit facility, we expect to amend or otherwise refinance the credit facility prior to such termination.

We believe our existing cash and cash equivalents, together with our short-term investments, cash provided by operations and amounts available under the revolving credit facility, will be sufficient to meet our needs for the foreseeable future. Our future capital requirements will depend on many factors including our revenue growth rate, subscription renewal activity, billing frequency, the timing and extent of spending to support further infrastructure development and research and development efforts, the timing and extent of additional capital expenditures to invest in collaboration spaces, our ability to sublease space at certain office locations, such as our corporate headquarters, the satisfaction of tax withholding obligations for the release of restricted stock units and awards, the expansion of sales and marketing and international operation activities, the

introduction of new product capabilities and enhancement of our platform, the continuing market acceptance of our platform, the volume and timing of our share repurchases and any potential impacts of the COVID-19 pandemic on our business. We have and 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, results of operations, and financial condition could be materially and adversely affected.

Our cash flow activities were as follows for the periods presented:

| | Year ended December 31, | |
|--|--------------------------------|----------------|
| | 2020 | 2019 |
| | <i>(In millions)</i> | |
| Net cash provided by operating activities | \$ 570.8 | \$ 528.5 |
| Net cash used in investing activities | (233.6) | (320.0) |
| Net cash used in provided by financing activities | (577.7) | (176.7) |
| Effect of exchange rate changes on cash and cash equivalents | 4.1 | 0.2 |
| Net (decrease) increase in cash and cash equivalents | <u>\$ (236.4)</u> | <u>\$ 32.0</u> |

Operating activities

Our largest source of operating cash is cash collections from our paying users for subscriptions to our platform. Our primary uses of cash from operating activities are for employee-related expenditures, infrastructure-related costs, and marketing expenses. Net cash provided by operating activities is impacted by our net loss adjusted for certain non-cash items, including depreciation and amortization expenses and stock-based compensation, as well as the effect of changes in operating assets and liabilities.

For the year ended December 31, 2020, net cash provided by operating activities was \$570.8 million, which mostly consisted of our net loss of \$256.3 million, adjusted for impairment related to real estate assets of \$398.2 million, stock-based compensation expense of \$261.5 million, depreciation and amortization expenses of \$159.3 million, and net cash inflow of \$3.8 million from operating assets and liabilities. The inflow from operating assets and liabilities was primarily due to an increase in deferred revenue from increased subscription sales, as a majority of our paying users are invoiced in advance, partially offset by the payment of our corporate bonus and key employee holdback payments related to the acquisition of HelloSign.

For the year ended December 31, 2019, net cash provided by operating activities was \$528.5 million, which mostly consisted of our net loss of \$52.7 million, adjusted for stock-based compensation expense of \$261.2 million and depreciation and amortization expenses of \$173.5 million, and net cash inflow of \$145.6 million from operating assets and liabilities. The inflow from operating assets and liabilities was primarily due to an increase of \$68.7 million in deferred revenue from increased subscription sales, as a majority of our paying users are invoiced in advance. Additionally, cash provided by operating activities increased due to an increase in other operating assets and liabilities of \$76.9 million. Our net cash provided by operating activities for the year ended December 31, 2019 also included cash payments of \$55.3 million related to tenant improvement reimbursements.

Investing activities

Net cash used in investing activities is primarily impacted by purchases of short-term investments, purchases of property and equipment to make improvements or modifications to existing and new office spaces, and for purchasing infrastructure equipment in co-location facilities that we directly lease and operate.

For the year ended December 31, 2020, net cash used in investing activities was \$233.6 million, which primarily related to \$170.6 million in net investment outflows, driven by the purchases of short-term investments, net of sales and maturities and \$15.1 million in equipment rebates. Additionally, cash paid for capital expenditures during the period was \$80.1 million related to our office and datacenter build-outs.

For the year ended December 31, 2019, net cash used in investing activities was \$320.0 million, which primarily related to purchases of short-term investments of \$775.4 million, cash paid for our acquisition of HelloSign, net of cash acquired, of

\$171.6 million and capital expenditures of \$136.1 million related to our office and datacenter build-outs. These outflows were partially offset by inflows of \$750.9 million related to proceeds from maturities and sales of short-term investments.

Financing activities

Net cash used in financing activities is primarily impacted by repurchases of common stock to satisfy the tax withholding obligation for the release of restricted stock units ("RSUs") and restricted stock awards ("RSAs") and principal payments on finance lease obligations for our infrastructure equipment.

For the year ended December 31, 2020, net cash used in financing activities was \$577.7 million, which primarily consisted of \$397.5 million for the repurchase of our common stock in relation to current our stock repurchase program, \$92.2 million for the satisfaction of tax withholding obligations for the release of restricted stock units and awards, and \$89.5 million in principal payments on finance lease obligations.

For the year ended December 31, 2019, net cash used in financing activities was \$176.7 million, which primarily consisted of \$92.9 million in principal payments against finance lease obligations and \$85.4 million for the satisfaction of tax withholding obligations for the release of restricted stock units and awards.

Contractual Obligations

Our principal commitments consist of obligations under operating leases for office space and datacenter operations, and finance leases for datacenter equipment, furniture and fixtures, and computer equipment. The following table summarizes our commitments to settle contractual obligations in cash as of December 31, 2020, for the periods presented below:

| | Total | Less than 1 year | 1 - 3 years | 3 - 5 years | More than 5 years |
|--|----------------------|---------------------|-----------------|-----------------|----------------------|
| | <i>(In millions)</i> | | | | |
| Operating lease commitments ⁽¹⁾ | \$ 1,195.2 | \$ 125.0 | \$ 235.2 | \$ 192.2 | \$ 642 |
| Finance lease commitments ⁽²⁾ | 284.4 | 106.9 | 152.9 | 24.6 | - |
| Other commitments ⁽³⁾ | 144.5 | 52.8 | 75.1 | — | 16 |
| Total contractual obligations | <u>\$ 1,624.1</u> | <u>\$ 284.7</u> | <u>\$ 463.2</u> | <u>\$ 216.8</u> | <u>\$ 659</u> |

⁽¹⁾ Consists of future non-cancelable minimum rental payments under operating leases for our offices and datacenters, excluding rent payments from our sub-tenants and variable operating expenses. As of December 31, 2020, we are entitled to non-cancelable rent payments from our sub-tenants of \$133.8 million, which will be collected over the next 13 years.

⁽²⁾ Consists of future non-cancelable minimum rental payments under finance leases primarily for our infrastructure.

⁽³⁾ Consists of commitments to third-party vendors for services related to our infrastructure, infrastructure warranty contracts, and asset retirement obligations for office modifications.

In addition to the contractual obligations set forth above, as of December 31, 2020, we had an aggregate of \$45.4 million in letters of credit outstanding under our revolving credit facility.

Off-Balance Sheet Arrangements

As of December 31, 2020, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or variable interest entities, which would have been established for the purpose of facilitating off balance sheet arrangements or other contractually narrow or limited purposes.

Significant Impacts of Stock-Based Compensation

Restricted Stock Units

We have granted restricted stock units, or RSUs, to our employees and members of our Board of Directors under our 2008 Equity Incentive Plan, or 2008 Plan, our 2017 Equity Incentive Plan, or 2017 Plan and our 2018 Equity Incentive Plan, or 2018 Plan. While we have previously granted two types of RSUs under the Dropbox Equity Incentive Plans, as of December 31, 2020, only one-tier RSUs were outstanding.

- One-tier RSUs, which have a service-based vesting condition over a four-year period. These awards typically have a cliff vesting period of one year and continue to vest quarterly thereafter. We recognize compensation expense associated with one-tier RSUs ratably on a straight-line basis over the requisite service period.
- Two-tier RSUs, which had both a service-based vesting condition and a liquidity event-related performance vesting condition. These awards typically had a service-based vesting period of four years with a cliff vesting period of one year and continued to vest monthly thereafter.

Upon the effectiveness of the registration statement related to our IPO, we recognized stock-based compensation related to our two-tier RSUs using the accelerated attribution method, with a cumulative catch-up in the amount of \$418.7 million attributable to service provided prior to such effective date.

Co-Founder Grants

In December 2017, the Board of Directors approved a grant to the Company's co-founders of non-Plan RSAs with respect to 14.7 million shares of Class A Common Stock in the aggregate (collectively, the "Co-Founder Grants"), of which 10.3 million RSAs were granted to Mr. Houston, the Company's co-founder and Chief Executive Officer, and 4.4 million RSAs were granted to Mr. Ferdowski, the Company's co-founder and former Director. These Co-Founder Grants have service-based, market-based, and performance-based vesting conditions. The Co-Founder Grants are excluded from Class A common stock issued and outstanding until the satisfaction of these vesting conditions. The Co-Founder Grants also provide the holders with certain stockholder rights, such as the right to vote the shares with the other holders of Class A common stock and a right to cumulative declared dividends. However, the Co-Founder Grants are not considered a participating security for purposes of calculating net loss per share attributable to common stockholders in Note 13, "Net Loss Per Share", as the right to the cumulative declared dividends is forfeitable if the service condition is not met.

In March 2020, one of the Company's co-founders, Mr. Ferdowski, resigned as a member of the Board of Directors and as an officer of the Company. As of the date of Mr. Ferdowski's resignation, none of the Stock Price Targets had been met, resulting in the forfeiture of his 4.4 million RSAs. As he did not provide the requisite service associated with the Co-Founder Grants, the Company reversed all stock-based compensation expense that had been recognized from the grant date through March 19, 2020. See Note 12, "Stockholders' Equity" for further information.

The Co-Founder Grants are eligible to vest over the ten-year period following the date the Company's shares of Class A common stock commenced trading on the Nasdaq Global Select Market in connection with the Company's IPO. The Co-Founder Grants comprise nine tranches that are eligible to vest based on the achievement of stock price goals, each of which are referred to as a Stock Price Target, measured over a consecutive thirty-day trading period during the Performance Period. The Performance Period began on January 1, 2019 and the RSUs expire at the earliest date among the following: the date on which all shares vest, the date the Co-Founder(s) cease to meet their service conditions, or the tenth anniversary of the IPO date.

| Company Stock Price Target | Shares Eligible to Vest for Mr. Houston |
|-----------------------------------|--|
| \$30.00 | 2,066,667 |
| \$37.50 | 1,033,334 |
| \$45.00 | 1,033,334 |
| \$52.50 | 1,033,333 |
| \$60.00 | 1,033,333 |
| \$67.50 | 1,033,333 |
| \$75.00 | 1,033,333 |
| \$82.50 | 1,033,333 |
| \$90.00 | 1,033,333 |

During the first four years of the Performance Period, no more than 20% of the shares subject to each Co-Founder Grant would be eligible to vest in any calendar year. After the first four years, all shares are eligible to vest based on the achievement of the Stock Price Targets.

The Performance Vesting Condition for the Co-Founder Grants was satisfied on the date the Company's shares of Class A common stock commenced trading on the Nasdaq Global Select Market in connection with the Company's IPO, which was March 23, 2018.

Critical Accounting Policies and Judgments

Our consolidated financial statements and the related notes thereto included elsewhere in this Annual Report on Form 10-K are prepared in accordance with generally accepted accounting principles, or GAAP, in the United States. The preparation of consolidated financial statements also requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from the estimates made by management. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations, and cash flows will be affected.

We believe that the accounting policies described below 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 operations.

Revenue recognition

We generate revenue from sales of subscriptions to our platform. Subscription fees exclude sales and other indirect taxes. We determine revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, we satisfy a performance obligation

Our subscription agreements typically have monthly or annual contractual terms, and a small percentage have multi-year contractual terms. Revenue is recognized ratably over the related contractual term generally beginning on the date that our platform is made available to a customer. Our agreements are generally non-cancelable. We typically bill in advance for monthly contracts and annually in advance for contracts with terms of one year or longer.

Business combinations

Accounting for business combinations requires us to make significant estimates and assumptions. We allocate the purchase consideration to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values, with the excess recorded to goodwill. Critical estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows, expected asset lives, and discount rates. The amounts and useful lives assigned to acquisition-related intangible assets impact the amount and timing of future amortization expense.

During the measurement period, which is not to exceed 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.

Deferred commissions

Certain sales commissions and the related payroll taxes earned by our outbound sales team, as well as commissions earned by third-party resellers, are considered to be incremental and recoverable costs of obtaining a contract with a customer. These costs are deferred and then amortized over a period of benefit that we have determined to be five years. We determined the period of benefit by taking into consideration our historical customer attrition rates, the useful life of our technology, and the impact of competition in our industry.

Impairment related to real estate assets

In accordance with ASC 360, Property, Plant, and Equipment (“ASC 360”), we evaluate our long-lived assets for impairment whenever events and circumstances indicate that the assets might be impaired. When the projected undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts, the assets are adjusted to their estimated fair value and an impairment loss is recorded as a component of operating income.

In the fourth quarter of 2020, as a result of our Virtual First strategy, we reassessed our asset groupings and evaluated the recoverability of our right-of-use and related lease assets, including leasehold improvements, furniture and fixtures, and computer equipment, and determined that the carrying value of the respective asset groups was not fully recoverable. As a result, we utilized discounted cash flow models to estimate the fair value of the asset groups and calculate the corresponding impairment loss.

The development of discounted cash flow models used to estimate the fair value of the asset groups required the application of significant judgement in determining market participant assumptions, including the projected sublease income over the remaining lease terms, expected downtime prior to the commencement of future subleases, expected lease incentives offered to future tenants, and discount rates that reflected the level of risk associated with these future cash flows.

Recent Accounting Pronouncements

See Note 1, “Description of the Business and Summary of Significant Accounting Policies” to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for recently adopted accounting pronouncements as of the date of this Annual Report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate risk

We had cash and cash equivalents of \$314.9 million and short-term investments of \$806.4 million as of December 31, 2020. We hold our cash and cash equivalents and short-term investments for working capital purposes. Our cash, cash equivalents, and short-term investments consist primarily of cash, money market funds, corporate notes and obligations, U.S. Treasury securities, certificates of deposit, asset-backed securities, commercial paper, foreign government securities, U.S. agency obligations, supranational securities, and municipal securities. The primary objectives of our investment activities are the preservation of capital, the fulfillment of liquidity needs, and the control of cash and investments. We do not enter into investments for trading or speculative purposes. Due to the short-term nature of these instruments, we believe that we do not have any material exposure to changes in the fair value of our investment portfolio as a result of changes in interest rates. Decreases in interest rates, however, would reduce future interest income.

Any borrowings under the revolving credit facility bear interest at a variable rate tied to the prime rate or the LIBOR rate. As of December 31, 2020, we had no amounts outstanding under the revolving credit facility. We do not have any other long-term debt or financial liabilities with floating interest rates that would subject us to interest rate fluctuations.

As of December 31, 2020, a hypothetical change in interest rates by 100 basis points would not have a significant impact on our cash and cash equivalents or the fair value of our investment portfolio.

Foreign currency exchange risk

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates relative to U.S. dollars, our reporting currency.

Most of our revenue is generated in U.S. dollars, with the remainder generated in Euros, British pounds sterling, Australian dollars, Canadian dollars, and Japanese yen.

Our expenses are generally denominated in the currencies in which our operations are located, which are primarily the United States and, to a lesser extent, Europe and Asia. The functional currency of Dropbox International Unlimited, our international headquarters and largest international entity, is denominated in U.S. dollars. Our results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates in ways that are unrelated to our operating performance.

As exchange rates may fluctuate significantly between periods, revenue and operating expenses, when converted into U.S. dollars, may also experience significant fluctuations between periods. Volatile market conditions arising from the COVID-19 pandemic have and may in the future result in significant changes in exchange rates, and in particular a weakening of foreign currencies relative to the U.S. dollar has and may in the future negatively affect our revenue expressed in U.S. dollars. Historically, a majority of our revenue and operating expenses have been denominated in U.S. dollars, Euros, and British pounds sterling. Although we are impacted by the exchange rate movements from a number of currencies relative to the U.S. dollar, our results of operations are particularly impacted by fluctuations in the U.S. dollar-Euro and U.S. dollar-British pounds sterling exchange rates. In the year ended December 31, 2020, 29% of our sales were denominated in currencies other than U.S. dollars. Our expenses, by contrast, are primarily denominated in U.S. dollars. As a result, any increase in the value of the U.S. dollar against these foreign currencies could cause our revenue to decline relative to our costs, thereby decreasing our margins.

We recorded \$2.9 million gains and \$0.8 million losses in net foreign currency transactions in the years ended December 31, 2020 and 2019, respectively. A hypothetical 10% change in foreign currency rates would not have resulted in material gains or losses for the years ended December 31, 2020, and 2019.

To date, we have not engaged in any hedging activities. As our international operations grow, we will continue to reassess our approach to managing risks relating to fluctuations in currency rates.

Inflation risk

We do not believe that inflation has had a material effect on our business, results of operations, or financial condition. Nonetheless, if our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs. Our inability or failure to do so could harm our business, results of operations, or financial condition.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
DROPBOX, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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The supplementary financial information required by this Item 8 is included in Item 7 under the caption "Quarterly Results of Operations."

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Dropbox, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Dropbox, Inc. (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, 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) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, 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 February 19, 2021 expressed an unqualified opinion thereon.

Adoption of ASU No. 2016-02

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for leases in 2019 due to the adoption of Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842), and the related amendments.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue from Contracts with Customers

Description of the Matter As described in Note 1 to the consolidated financial statements, the Company derives its revenue from subscription fees from customers for access to its platform, which it recognizes ratably over the related contractual term. The Company's revenue recognition process involves several applications responsible for the initiation, processing, and recording of transactions from the Company's various sales channels, and the calculation of revenue in accordance with the Company's accounting policy.

Auditing the Company's accounting for revenue from contracts with customers was challenging and complex due to the high volume of individually-low-monetary-value transactions, dependency on the effective design and operation of multiple applications, some of which are specifically designed for the Company's business, and the use of multiple data sources in the revenue recognition process.

How We Addressed the Matter in Our Audit We obtained an understanding, evaluated the design, and tested the operating effectiveness of internal controls over the Company's accounting for revenue from contracts with customers. For example, with the assistance of IT professionals, we tested the controls over the initiation and billing of new and recurring subscriptions, the provisioning of customers, and the Company's cash to billings reconciliation process. We also tested the controls related to the key application interfaces between the provisioning, billing, and accounting systems, which included controls related to access to the relevant applications and data and changes to the relevant systems and interfaces, as well as controls over the configuration of the relevant applications.

To test the Company's accounting for revenue from contracts with customers, we performed substantive audit procedures that included, among others, testing on a sample basis the completeness and accuracy of the underlying data within the Company's billing system, performing data analytics by extracting data from the system to evaluate the completeness and accuracy of recorded revenue and deferred revenue amounts, tracing a sample of sales transactions to source data, and testing a sample of cash to billings reconciliations.

Impairment of operating lease right-of-use and related assets

Description of the Matter As disclosed in Note 9 to the consolidated financial statements, the Company recorded additional expense of \$398.2 million in the fourth quarter of the year ended December 31, 2020, as a result of the Company's decision to move to a virtual first work model and subsequent reassessment of the asset groups related to its leased office space. In accordance with ASC 360, the Company performed a recoverability test of its identified asset groups, comprised of operating lease right-of-use and other related assets, and determined that the carrying value of these asset groups was not fully recoverable. As a result, the Company measured and recognized an impairment charge related to these assets representing the amount by which the carrying value exceeded the estimated fair value of these asset groups.

Auditing the Company's impairment measurement involved a high degree of subjectivity due to the significant estimation required by management to determine the fair value of the asset groups. The Company utilized an income approach to value the asset groups, which required the development of a discounted cash flow model utilizing certain key assumptions, including current and future sublease market rent rates, discount rates, and market participant assumptions, such as expected vacancy periods and lease incentives offered to future tenants. These assumptions have a significant effect on the estimated fair values of the asset groups, and the resulting impairment charge, and could be impacted by future economic and market conditions.

How We Addressed the Matter in Our Audit We obtained an understanding, evaluated the design, and tested the operating effectiveness of internal controls over the Company's processes to determine the fair values of the asset groups and measure the right-of-use and other related assets impairment charge. For example, we tested the controls over the determination of the fair value of the asset groups subject to impairment, including the selection of the valuation model and the determination and review of the underlying assumptions used to develop the fair value estimates.

Our testing of the Company's impairment measurement included, among other procedures, evaluating the significant assumptions used to estimate fair value. For example, we compared the sublease market rent rate, vacancy period, and tenant lease incentive assumptions used to estimate market participant cash flows to current industry and economic trends, assessed the reasonableness of the discount rates used as part of the discounted cash flow model, and recalculated management's estimate. We also involved our valuation specialists to assist in our evaluation of the significant assumptions used in the fair value estimate.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2013.

San Francisco, California
February 19, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Dropbox, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Dropbox, Inc.'s internal control over financial reporting as of December 31, 2020, 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). In our opinion, Dropbox, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and our report dated February 19, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company'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 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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

Definition and Limitations of Internal Control Over Financial Reporting

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.

/s/ Ernst & Young LLP

San Francisco, California
February 19, 2021

DROPBOX, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except for par value)

| | As of December 31, | |
|--|---------------------------|-------------------|
| | 2020 | 2019 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 314.9 | \$ 551.3 |
| Short-term investments | 806.4 | 607.7 |
| Trade and other receivables, net | 43.4 | 36.7 |
| Prepaid expenses and other current assets | 62.8 | 47.5 |
| Total current assets | 1,227.5 | 1,243.2 |
| Property and equipment, net | 338.7 | 445.3 |
| Operating lease right-of-use asset | 470.5 | 657.9 |
| Intangible assets, net | 33.5 | 47.4 |
| Goodwill | 236.9 | 234.5 |
| Other assets | 80.1 | 70.9 |
| Total assets | \$ 2,387.2 | \$ 2,699.2 |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 18.7 | \$ 40.7 |
| Accrued and other current liabilities | 156.7 | 161.9 |
| Accrued compensation and benefits | 113.6 | 101.4 |
| Operating lease liability | 88.7 | 79.9 |
| Finance lease obligation | 99.6 | 76.7 |
| Deferred revenue | 610.5 | 554.2 |
| Total current liabilities | 1,087.8 | 1,014.8 |
| Operating lease liability, non-current | 759.6 | 711.9 |
| Finance lease liability, non-current | 171.6 | 138.2 |
| Other non-current liabilities | 34.4 | 25.9 |
| Total liabilities | 2,053.4 | 1,890.8 |
| Commitments and contingencies (Note 10) | | |
| Stockholders' equity: | | |
| Convertible preferred stock, \$0.00001 par value; no shares authorized, issued and outstanding as of December 31, 2020; no shares authorized, issued and outstanding as of December 31, 2019 | — | — |
| Preferred stock, \$0.00001 par value; 240.0 shares authorized and no shares issued and outstanding as of December 31, 2020; 240.0 shares authorized and no shares issued and outstanding as of December 31, 2019 | — | — |
| Common stock, \$0.00001 par value; Class A common stock - 2,400.0 shares authorized and 322.3 shares issued and outstanding as of December 31, 2020; 2,400.0 shares authorized and 255.8 shares issued and outstanding as of December 31, 2019; Class B common stock - 475.0 shares authorized and 83.5 shares issued and outstanding as of December 31, 2020; 475.0 shares authorized and 161.2 issued and outstanding as of December 31, 2019; Class C common stock - 800.0 shares authorized and no shares issued and outstanding as of December 31, 2020 and as of December 31, 2019 | — | — |
| Additional paid-in capital | 2,564.3 | 2,531.3 |
| Accumulated deficit | (2,241.4) | (1,726.2) |
| Accumulated other comprehensive income | 10.9 | 3.3 |
| Total stockholders' equity | 333.8 | 808.4 |
| Total liabilities and stockholders' equity | \$ 2,387.2 | \$ 2,699.2 |

See accompanying Notes to Consolidated Financial Statements.

DROPBOX, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share data)

| | Year ended December 31, | | |
|---|-------------------------|------------|------------|
| | 2020 | 2019 | 2018 |
| Revenue | \$ 1,913.9 | \$ 1,661.3 | \$ 1,391.7 |
| Cost of revenue ⁽¹⁾ | 414.6 | 411.0 | 394.7 |
| Gross profit | 1,499.3 | 1,250.3 | 997.0 |
| Operating expenses ⁽¹⁾ : | | | |
| Research and development | 727.5 | 662.1 | 768.2 |
| Sales and marketing | 422.8 | 423.3 | 439.6 |
| General and administrative | 227.8 | 245.4 | 283.2 |
| Impairment related to real estate assets ⁽²⁾ | 398.2 | — | — |
| Total operating expenses | 1,776.3 | 1,330.8 | 1,491.0 |
| Loss from operations | (277.0) | (80.5) | (494.0) |
| Interest income, net | 1.7 | 12.5 | 7.1 |
| Other income, net | 25.1 | 16.0 | 6.8 |
| Loss before income taxes | (250.2) | (52.0) | (480.1) |
| Benefit from (provision for) income taxes | (6.1) | (0.7) | (4.8) |
| Net loss | \$ (256.3) | \$ (52.7) | \$ (484.9) |
| Net loss per share attributable to common stockholders, basic and diluted | \$ (0.62) | \$ (0.13) | \$ (1.35) |
| Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted | 414.3 | 411.6 | 358.6 |

⁽¹⁾ Includes stock-based compensation as follows (in millions):

| | Year ended December 31, | | |
|--|-------------------------|---------|---------|
| | 2020 | 2019 | 2018 |
| Cost of revenue | \$ 17.1 | \$ 15.8 | \$ 47.0 |
| Research and development | 174.1 | 147.6 | 368.2 |
| Sales and marketing | 33.7 | 31.4 | 94.3 |
| General and administrative ⁽³⁾⁽⁴⁾ | 36.6 | 66.4 | 140.6 |

⁽²⁾ Includes impairment charges related to certain right-of-use and other lease related assets as a result of our decision to shift to a Virtual First work model. See Note 9 "Leases" for further information.

⁽³⁾ On March 19, 2020, one of the Company's co-founders resigned as a member of the board and as an officer of the Company, resulting in the reversal of \$23.8 million in stock-based compensation expense. Of the total amount reversed, \$21.5 million related to expense recognized prior to December 31, 2019. See Note 12 "Stockholders' Equity" for further information.

⁽⁴⁾ During the year ended December 31, 2018, the Company recognized the cumulative unrecognized stock-based compensation of \$418.7 million related to the two-tier restricted stock units upon the effectiveness of the Company's registration statement for its initial public offering. See Note 1 "Description of the Business and Summary of Significant Accounting Policies" for further details.

See accompanying Notes to Consolidated Financial Statements.

DROPBOX, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In millions)

| | Year ended December 31, | | |
|---|--------------------------------|------------------|-------------------|
| | 2020 | 2019 | 2018 |
| Net loss | \$ (256.3) | \$ (52.7) | \$ (484.9) |
| Other comprehensive income (loss), net of tax: | | | |
| Change in foreign currency translation adjustments | \$ 4.8 | \$ 2.9 | \$ (4.9) |
| Change in net unrealized gains (losses) on short-term investments | 2.8 | 1.6 | (0.5) |
| Total other comprehensive income (loss), net of tax | <u>\$ 7.6</u> | <u>\$ 4.5</u> | <u>\$ (5.4)</u> |
| Comprehensive loss | <u>\$ (248.7)</u> | <u>\$ (48.2)</u> | <u>\$ (490.3)</u> |

See accompanying Notes to Consolidated Financial Statements.

DROPBOX, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In millions)

| | Convertible preferred stock | | Class A and Class B common stock | | Additional paid-in capital | Accumulated deficit | Accumulated other comprehensive income (loss) | Total stockholders' equity |
|--|-----------------------------|----------|----------------------------------|--------|----------------------------|---------------------|---|----------------------------|
| | Shares | Amount | Shares | Amount | | | | |
| Balance at December 31, 2017 | 147.6 | \$ 615.3 | 196.8 | \$ — | \$ 533.1 | \$ (1,049.7) | \$ 4.2 | \$ 102.9 |
| Release of restricted stock units and awards | — | — | 40.4 | — | — | — | — | — |
| Shares withheld related to net share settlement | — | — | (15.6) | — | (226.9) | (124.9) | — | (351.8) |
| Conversion of preferred stock to common stock in connection with initial public offering | (147.6) | (615.3) | 147.6 | — | 615.3 | — | — | — |
| Issuance of common stock in connection with initial public offering and private placement, net of underwriters' discounts and commissions and issuance costs | — | — | 37.0 | — | 739.7 | — | — | 739.7 |
| Exercise of stock options and awards | — | — | 3.4 | — | 26.2 | — | — | 26.2 |
| Stock-based compensation | — | — | — | — | 650.1 | — | — | 650.1 |
| Other comprehensive income (loss) | — | — | — | — | — | — | (5.4) | (5.4) |
| Net loss | — | — | — | — | — | (484.9) | — | (484.9) |
| Balance at December 31, 2018 | — | \$ — | 409.6 | \$ — | \$ 2,337.5 | \$ (1,659.5) | \$ (1.2) | \$ 676.8 |
| Cumulative-effect from adoption of ASC 842 | — | — | — | — | — | 1.0 | — | 1.0 |
| Release of restricted stock units and awards | — | — | 11.2 | — | — | — | — | — |
| Shares withheld related to net share settlement | — | — | (4.1) | — | (70.4) | (15.0) | — | (85.4) |
| Exercise of stock options and awards | — | — | 0.3 | — | 2.2 | — | — | 2.2 |
| Assumed stock options in connection with acquisition | — | — | — | — | 0.8 | — | — | 0.8 |
| Stock-based compensation | — | — | — | — | 261.2 | — | — | 261.2 |
| Other comprehensive income (loss) | — | — | — | — | — | — | 4.5 | 4.5 |
| Net loss | — | — | — | — | — | (52.7) | — | (52.7) |
| Balance at December 31, 2019 | — | \$ — | 417.0 | \$ — | \$ 2,531.3 | \$ (1,726.2) | \$ 3.3 | \$ 808.4 |
| Release of restricted stock units and awards | — | — | 13.1 | — | — | — | — | — |
| Shares withheld related to net share settlement | — | — | (4.7) | — | (43.5) | (48.7) | — | (92.2) |
| Repurchases of common stock | — | — | (20.2) | — | (187.3) | (210.2) | — | (397.5) |
| Exercise of stock options and awards | — | — | 0.5 | — | 2.3 | — | — | 2.3 |
| Stock-based compensation | — | — | — | — | 261.5 | — | — | 261.5 |
| Other comprehensive income (loss) | — | — | — | — | — | — | 7.6 | 7.6 |
| Net loss | — | — | — | — | — | (256.3) | — | (256.3) |
| Balance at December 31, 2020 | — | \$ — | 405.7 | \$ — | \$ 2,564.3 | \$ (2,241.4) | \$ 10.9 | \$ 333.8 |

See accompanying Notes to Consolidated Financial Statements.

DROPBOX, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

| | Year ended December 31, | | |
|---|-------------------------|-----------------|-----------------|
| | 2020 | 2019 | 2018 |
| Cash flows from operating activities | | | |
| Net loss | \$ (256.3) | \$ (52.7) | \$ (484.9) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | | |
| Depreciation and amortization | 159.3 | 173.5 | 166.8 |
| Stock-based compensation | 261.5 | 261.2 | 650.1 |
| Impairment related to real estate assets | 398.2 | — | — |
| Net gains on equity investments | (17.5) | — | — |
| Amortization of deferred commissions | 24.4 | 17.5 | 12.1 |
| Other | (2.6) | (16.6) | (1.9) |
| Changes in operating assets and liabilities: | | | |
| Trade and other receivables, net | (5.5) | (7.5) | 0.1 |
| Prepaid expenses and other current assets | (39.4) | (18.2) | (47.9) |
| Other assets | 62.0 | 61.2 | (11.2) |
| Accounts payable | (19.9) | 6.4 | (1.7) |
| Accrued and other current liabilities | (9.8) | 23.0 | 40.3 |
| Accrued compensation and benefits | 11.7 | 19.1 | 25.0 |
| Deferred revenue | 55.1 | 68.7 | 66.4 |
| Other non-current liabilities | (72.9) | (62.4) | 12.2 |
| Tenant improvement allowance reimbursement | 22.5 | 55.3 | — |
| Net cash provided by operating activities | <u>570.8</u> | <u>528.5</u> | <u>425.4</u> |
| Cash flows from investing activities | | | |
| Capital expenditures | (80.1) | (136.1) | (63.0) |
| Purchase of intangible assets | (0.2) | (1.7) | (3.0) |
| Business combinations, net of cash acquired | — | (173.9) | — |
| Purchases of short-term investments | (756.1) | (775.4) | (850.4) |
| Proceeds from maturities of short-term investments | 386.7 | 294.8 | 71.2 |
| Proceeds from sales of short-term investments | 198.8 | 456.1 | 212.4 |
| Other | 17.3 | 16.2 | (1.0) |
| Net cash used in investing activities | <u>(233.6)</u> | <u>(320.0)</u> | <u>(633.8)</u> |
| Cash flows from financing activities | | | |
| Proceeds from initial public offering and private placement, net of underwriters' discounts and commissions | — | — | 746.6 |
| Payments of deferred offering costs | — | — | (4.5) |
| Shares withheld related to net share settlement | (92.2) | (85.4) | (351.9) |
| Proceeds from issuance of common stock, net of repurchases | 2.3 | 2.2 | 26.2 |
| Principal payments on finance lease obligations | (89.5) | (92.9) | (109.1) |
| Common stock repurchases | (397.5) | — | — |
| Other | (0.8) | (0.6) | (6.5) |
| Net cash (used in) provided by financing activities | <u>(577.7)</u> | <u>(176.7)</u> | <u>300.8</u> |
| Effect of exchange rate changes on cash and cash equivalents | 4.1 | 0.2 | (3.1) |
| Change in cash and cash equivalents | (236.4) | 32.0 | 89.3 |
| Cash and cash equivalents—beginning of period | 551.3 | 519.3 | 430.0 |
| Cash and cash equivalents—end of period | <u>\$ 314.9</u> | <u>\$ 551.3</u> | <u>\$ 519.3</u> |

Supplemental cash flow data:

| Cash paid during the period for: | | | |
|---|----|-------|------------------|
| Interest | \$ | 9.6 | \$ 9.8 \$ 8.3 |
| Income taxes | \$ | 5.0 | \$ 0.6 \$ 1.4 |
| Non-cash investing and financing activities: | | | |
| Property and equipment received and accrued in accounts payable and accrued liabilities | \$ | 7.8 | \$ 19.9 \$ 7.3 |
| Property and equipment acquired under finance leases | \$ | 145.8 | \$ 144.1 \$ 98.5 |

See accompanying Notes to Consolidated Financial Statements.

DROPBOX, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in tables are in millions except per share data, or as otherwise noted)

Note 1. Description of the Business and Summary of Significant Accounting Policies

Business

Dropbox, Inc. (the "Company" or "Dropbox") is one place to keep life organized and keep work moving. Dropbox was incorporated in May 2007 as Evenflow, Inc., a Delaware corporation, and changed its name to Dropbox, Inc. in October 2009. The Company is headquartered in San Francisco, California.

Basis of presentation and consolidation

The accompanying consolidated financial statements have been prepared in accordance with the United States of America generally accepted accounting principles ("GAAP"). The accompanying consolidated financial statements include the accounts of Dropbox and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the Company's consolidated financial statements and accompanying notes. These estimates are based on information available as of the date of the consolidated financial statements. Management evaluates these estimates and assumptions on a regular basis. Actual results may differ materially from these estimates.

The Company's most significant estimates and judgments involve the valuation of acquired intangible assets and goodwill from business combinations. In addition, in the fourth quarter of 2020, the Company performed a valuation of right-of-use and other lease related assets due to the decision to shift to a Virtual First work model. See Note 9, "Leases" for further discussion.

Financial information about segments and geographic areas

The Company manages its operations and allocates resources as a single operating segment. Further, the Company manages, monitors, and reports its financials as a single reporting segment. The Company's chief operating decision-maker is its Chief Executive Officer, who reviews financial information presented on a consolidated basis for purposes of making operating decisions, assessing financial performance, and allocating resources. See Note 15, "Geographic Areas" for information regarding the Company's long-lived assets and revenue by geography.

Foreign currency transactions

The assets and liabilities of the Company's foreign subsidiaries are translated from their respective functional currencies into U.S. dollars at the exchange rates in effect at the balance sheet date. Revenue and expense amounts are translated at the average exchange rate for the period. Foreign currency translation gains and losses are recorded in other comprehensive income (loss).

Gains and losses realized from foreign currency transactions (those transactions denominated in currencies other than the foreign subsidiaries' functional currency) are included in other income, net. Monetary assets and liabilities are remeasured using foreign currency exchange rates at the end of the period, and non-monetary assets are remeasured based on historical exchange rates. The Company recorded net foreign currency transaction gains of \$2.9 million and losses of \$0.8 million in the years ended December 31, 2020 and 2019 respectively.

Revenue recognition

The Company derives its revenue from subscription fees from customers for access to its platform. The Company's policy is to exclude sales and other indirect taxes when measuring the transaction price of its subscription agreements. The Company accounts for revenue contracts with customers through the following steps:

- Identification of the contract, or contracts, with a customer

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- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

The Company's subscription agreements generally have monthly or annual contractual terms and a small percentage have multi-year contractual terms. Revenue is recognized ratably over the related contractual term beginning on the date that the platform is made available to a customer. Access to the platform represents a series of distinct services as the Company continually provides access to, and fulfills its obligation to the end customer over the subscription term. The series of distinct services represents a single performance obligation that is satisfied over time. The Company recognizes revenue ratably because the customer receives and consumes the benefits of the platform throughout the contract period. The Company's contracts are generally non-cancelable.

The Company bills in advance for monthly contracts and typically bills annually in advance for contracts with terms of one year or longer. The Company also recognizes an immaterial amount of contract assets, or unbilled receivables, primarily relating to consideration for services completed but not billed at the reporting date. Unbilled receivables are classified as receivables when the Company has the right to invoice the customer.

The Company records contract liabilities when cash payments are received or due in advance of performance to deferred revenue. Deferred revenue primarily relates to the advance consideration received from the customer.

The price of subscriptions is generally fixed at contract inception and therefore, the Company's contracts do not contain a significant amount of variable consideration. As a result, the amount of revenue recognized in the periods presented from performance obligations satisfied (or partially satisfied) in previous periods was not material.

The Company recognized \$554.2 million, \$481.1 million, \$411.6 million of revenue during the years ended December 31, 2020, 2019, and 2018 respectively, that was included in the deferred revenue balances at the beginning of their respective periods.

As of December 31, 2020, future estimated revenue related to performance obligations that were unsatisfied or partially unsatisfied was \$673.4 million. The substantial majority of the unsatisfied performance obligations will be satisfied over the next twelve months.

Stock-based compensation

The Company has granted RSUs to its employees and members of the Board of Directors under the 2008 Equity Incentive Plan ("2008 Plan"), the 2017 Equity Incentive Plan ("2017 Plan"), and the 2018 Equity Incentive Plan ("2018 Plan" and together with the 2008 Plan and 2017 Plan, the "Dropbox Equity Incentive Plans"). The Company has granted the following types of RSUs under the Dropbox Equity Incentive Plans:

- One-tier RSUs, which have a service-based vesting condition over a four-year period. These awards typically have a cliff vesting period of one year and continue to vest quarterly thereafter. The Company began granting one-tier RSUs under its 2008 Plan in August 2015, and it continues to grant one-tier RSUs under its 2018 Plan. The Company recognizes compensation expense associated with one-tier RSUs ratably on a straight-line basis over the requisite service period and accounts for forfeitures in the period in which they occur.
- Two-tier RSUs, which had both a service-based vesting condition and a Performance Vesting Condition. The Performance Vesting Condition was satisfied on the effectiveness of the registration statement related to the Company's IPO. Prior to August 2015, the Company granted two-tier RSUs under the 2008 Plan. The last grant date for two-tier RSUs was in May 2015. The Company recognized compensation expense associated with two-tier RSUs using the accelerated attribution method over the requisite service period.

As of December 31, 2020, the Company only had one-tier RSUs outstanding under the Dropbox Equity Incentive Plans.

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Since August 2015, the Company has granted one-tier RSUs as the only stock-based payment awards to its employees, with the exception of awards granted to its co-founders and certain executives, and has not granted any stock options to employees since then. The fair values of the common stock underlying the RSUs granted in periods prior to the date of the Company's IPO were determined by the Board of Directors, with input from management and contemporaneous third-party valuations, which were performed at least quarterly. For valuations after the Company's IPO, the Board of Directors determines the fair value of each share of underlying common stock based on the closing price of the Company's Class A common stock as reported on the Nasdaq Global Select Market on the date of the grant.

In connection with the acquisition of JN Projects, Inc. (d/b/a HelloSign) ("HelloSign"), the Company assumed unvested stock options that had been granted under the HelloSign's 2011 Equity Incentive Plan. The fair value of options assumed were based upon the Black-Scholes option-pricing model, see Note 12, "Stockholders' Equity" for further information.

In December 2017, the Board of Directors approved a grant to the Company's co-founders of restricted stock awards ("RSAs") with respect to 14.7 million shares of Class A Common Stock in the aggregate (collectively, the "Co-Founder Grants"), of which 10.3 million RSAs were granted to Mr. Houston, the Company's co-founder and Chief Executive Officer, and 4.4 million RSAs were granted to Mr. Ferdowski, the Company's co-founder and former director. These Co-Founder Grants have service-based, market-based, and performance-based vesting conditions. The Company estimated the grant date fair value of the Co-Founder Grants using a model based on multiple stock price paths developed through the use of a Monte Carlo simulation that incorporates into the valuation the possibility that the Stock Price Targets may not be satisfied. Effective March 19, 2020, Mr. Ferdowski resigned as a member of the Board of Directors and as an officer of the Company. As of the date of Mr. Ferdowski's resignation, none of the Stock Price Targets had been met, resulting in the forfeiture of his 4.4 million RSAs. See Note 12, "Stockholders' Equity" for further information.

Cost of revenue

Cost of revenue consists primarily of expenses associated with the storage, delivery, and distribution of the Company's platform for both paying users and free users, also known as Basic users. These costs, which are referred to as infrastructure costs, include depreciation of servers located in co-location facilities that the Company leases and operates, rent and facilities expense for those datacenters, network and bandwidth costs, support and maintenance costs for infrastructure equipment, and payments to third-party datacenter service providers. Cost of revenue also includes costs, such as salaries, bonuses, benefits, travel-related expenses, and stock-based compensation, which are referred to as employee-related costs, for employees whose primary responsibilities relate to supporting the Company's infrastructure and delivering user support. Other non-employee costs included in cost of revenue include credit card fees related to processing customer transactions and allocated overhead, such as facilities, including rent, utilities, depreciation on leasehold improvements and other equipment shared by all departments, and shared information technology costs. In addition, cost of revenue includes amortization of developed technologies, professional fees related to user support initiatives, and property taxes related to the datacenters.

Advertising and promotional expense

Advertising and promotional expenses are included in sales and marketing expenses within the consolidated statements of operations and are expensed when incurred. Advertising and promotional expenses were \$81.4 million, \$88.8 million, and \$100.9 million in the years ended December 31, 2020, 2019, and 2018, respectively.

Cash and cash equivalents

Cash consists primarily of cash on deposit with banks and includes amounts in transit from payment processors for credit and debit card transactions, which typically settle within five business days. Cash equivalents include highly liquid investments purchased with an original maturity date of 90 days or less from the date of purchase.

The Company monitors its credit risk by considering factors such as historical experience, credit ratings, current economic conditions, and reasonable and supportable forecasts.

Short-term investments

The Company's short-term investments are primarily comprised of corporate notes and obligations, U.S. Treasury securities, certificates of deposit, asset-backed securities, commercial paper, U.S. agency obligations, foreign government securities, supranational securities, and municipal securities. The Company determines the appropriate classification of its short-term investments at the time of purchase and reevaluates such designation at each balance sheet date. The Company has

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classified and accounted for its short-term investments as available-for-sale securities as the Company may sell these securities at any time for use in its current operations or for other purposes, even prior to maturity. As a result, the Company classifies its short-term investments, including securities with stated maturities beyond twelve months, within current assets in the consolidated balance sheets.

The Company's short-term investments are recorded at fair value each reporting period. Unrealized gains and losses on these short-term investments are reported as a separate component of accumulated other comprehensive income (loss) in the consolidated balance sheets until realized. Unrealized gains and losses for any short-term investments that management intends to sell or it is more likely than not that management will be required to sell prior to their anticipated recovery are recorded in other income, net. The Company segments its portfolio based on the underlying risk profiles of the securities and has a zero-loss expectation for U.S. treasury and U.S. government agency securities. The Company regularly reviews the securities in an unrealized loss position and evaluates the current expected credit loss by considering factors such as credit ratings, issuer-specific factors, current economic conditions, and reasonable and supportable forecasts. The Company did not record any material credit losses during the year ended December 31, 2020.

Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash, cash equivalents, accounts receivable, and short-term investments. The Company places its cash and cash equivalents, and short-term investments with well-established financial institutions.

Trade accounts receivable are typically unsecured and are derived from revenue earned from customers located around the world. Two distribution partners accounted for 11% and 28% of total trade and other receivables, net as of December 31, 2020. Two distribution partners accounted for 10% and 27% of total trade and other receivables, net as of December 31, 2019. No customer accounted for more than 10% of the Company's revenue in the periods presented.

Trade and other receivables, net

Trade and other receivables, net consists primarily of trade receivables that are recorded at the invoice amount, net of an allowance for expected credit losses.

The allowance for expected credit losses is based on the Company's assessment of the collectability of accounts receivable. The Company assesses collectability by reviewing accounts receivable on a collective basis where similar characteristics exist and on an individual basis when the Company identifies specific customers with known disputes or collectability issues. The Company regularly reviews the adequacy of the allowance for expected credit losses by considering the age of each outstanding invoice, the collection history of each customer, and other relevant factors, including contractual term and current and future economic conditions. The Company's allowance for expected credit losses was \$0.5 million and \$0.5 million as of December 31, 2020 and 2019, respectively.

Non-trade receivables

The Company records non-trade receivables to reflect amounts due for activities outside of its subscription agreements, such as non-current notes receivable. Non-trade receivables totaled \$2.7 million and \$7.4 million, as of December 31, 2020 and 2019, respectively, and are classified within prepaid expenses and other current assets in the accompanying consolidated balance sheets. See "—Lease obligations" for further discussion.

Deferred commissions, net

Deferred commissions, net is stated as gross deferred commissions less accumulated amortization. Sales commissions earned by the Company's sales force and third-party resellers, as well as related payroll taxes, are considered to be incremental and recoverable costs of obtaining a contract with a customer. These amounts have been capitalized as deferred commissions within prepaid and other current assets and other assets on the consolidated balance sheets. The Company deferred incremental costs of obtaining a contract of \$35.0 million and \$28.1 million during the years ended December 31, 2020 and 2019, respectively.

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Deferred commissions, net included in prepaid and other current assets were \$26.7 million and \$19.9 million as of December 31, 2020 and 2019, respectively. Deferred commissions, net included in other assets were \$47.3 million and \$43.5 million as of December 31, 2020 and 2019, respectively.

Deferred commissions are typically amortized over a period of benefit of five years. The period of benefit was estimated by considering factors such as historical customer attrition rates, the useful life of the Company's technology, and the impact of competition in its industry. Amortized costs were \$24.4 million, \$17.5 million, and \$12.1 million for the years ended December 31, 2020, 2019, and 2018, respectively. Amortized costs are included in sales and marketing expense in the accompanying consolidated statements of operations. There was no impairment loss in relation to the deferred costs for any period presented.

Property and equipment, net

Equipment is stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of the related asset, which is generally three to seven years. Leasehold improvements are amortized on a straight-line basis over the shorter of their estimated useful lives or the term of the related lease.

The following table presents the estimated useful lives of property and equipment:

| Property and equipment | Useful life |
|---|---|
| Buildings | 20 to 30 years |
| Datacenter and other computer equipment | 3 to 5 years |
| Office equipment and other | 3 to 7 years |
| Leasehold improvements | Lesser of estimated useful life or remaining lease term |

Equity investments

As of December 31, 2020, the Company held an equity investment in a privately held entity in which the Company did not have a controlling interest or significant influence. During the year ended December 31, 2020, the Company also held and sold an equity investment in a publicly traded company in which the Company did not have a controlling interest or significant influence. The Company recognized a net gain of \$16.8 million related to the sale of the publicly traded equity investment. The investment had a carrying value of \$9.8 million as of December 31, 2019, and was previously measured using quoted prices in its active market with changes recorded in other income, net, in the condensed consolidated statement of operations.

Lease obligations

The Company leases office space, datacenters, and equipment under non-cancelable finance and operating leases with various expiration dates through 2036. The Company determines if an arrangement contains a lease at inception.

Operating lease right-of-use assets and lease liabilities are recognized at the present value of the future lease payments at commencement date. The interest rate implicit in the Company's operating leases is not readily determinable, and therefore an incremental borrowing rate is estimated to determine the present value of future payments. The estimated incremental borrowing rate factors in a hypothetical interest rate on a collateralized basis with similar terms, payments, and economic environments. Operating lease right-of-use assets also include any prepaid lease payments and lease incentives.

Certain of the operating lease agreements contain rent concession, rent escalation, and option to renew provisions. Rent concession and rent escalation provisions are considered in determining the single lease cost to be recorded over the lease term. Single lease cost is recognized on a straight-line basis over the lease term commencing on the date the Company has the right to use the leased property. The lease terms may include options to extend or terminate the lease. The Company generally uses the base, non-cancelable, lease term when recognizing the lease assets and liabilities, unless it is reasonably certain that the option will be exercised.

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In addition, certain operating lease agreements contain tenant improvement allowances from its landlords. These allowances are accounted for as lease incentives and decrease the Company's right-of-use asset and reduce single lease cost over the lease term.

As part of the Company's Virtual First strategy, Dropbox will retain a portion of its office space to be used for the Company's team collaboration use and a portion will be marketed for sublease. As a result, the Company recorded an impairment charge of \$215.8 million related to right-of-use assets and \$182.4 million related to other lease related property and equipment assets. See Note 4 "Property and Equipment, Net" and Note 9 "Leases" for further information.

The Company leases certain equipment from various third parties, through equipment finance leases. These leases either include a bargain purchase option, a full transfer of ownership at the completion of the lease term, or the terms of the leases are at least 75 percent of the useful lives of the assets and are therefore classified as finance leases. These leases are capitalized in property and equipment, net and the related amortization of assets under finance leases is included in depreciation and amortization expense in the Company's consolidated statements of operations. Initial asset values and finance lease obligations are based on the present value of future minimum lease payments.

The Company's finance lease agreements may contain lease and non-lease components. The non-lease components include payments for support on infrastructure equipment obtained via finance leases, which when not significant in relation to the overall agreement, are combined with the lease components and accounted for together as a single lease component

Internal use software

The Company capitalizes certain costs related to developed or modified software solely for its internal use and cloud based applications used to deliver its platform. The Company capitalizes costs during the application development stage once the preliminary project stage is complete, management authorizes and commits to funding the project, and it is probable that the project will be completed and that the software will be used to perform the function intended. Costs related to preliminary project activities and post implementation activities are expensed as incurred. Capitalized internal use software costs were not material to the Company's consolidated financial statements during the years ended December 31, 2020, 2019, and 2018.

Business combinations

The Company uses best estimates and assumptions, including but not limited to, future expected cash flows, expected asset lives, and discount rates, to assign a fair value to the tangible and intangible assets acquired and liabilities assumed in business combinations as of the acquisition date. These estimates are inherently uncertain and subject to refinement. During the measurement period, which may be up to one year from the acquisition date, adjustments to the fair value of these tangible and intangible assets acquired and liabilities assumed may be recorded, with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Company's consolidated statements of operations.

Long-lived assets, including goodwill and other acquired intangible assets, net

The Company evaluates the recoverability of its property and equipment and finite-lived intangible assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. The evaluation is performed at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. 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 determines that the carrying amount of specific property and equipment or intangible assets is not recoverable, the carrying amount of such assets is reduced to its fair value.

The Company reviews goodwill for impairment at least annually in the fourth quarter, or more frequently if events or changes in circumstances would more likely than not reduce the fair value of its single reporting unit below its carrying value.

The Company has not recorded impairment charges on goodwill or intangible assets for the periods presented in these consolidated financial statements.

The Company recorded an impairment charge of \$215.8 million related to right-of-use assets and \$182.4 million related to other lease related property and equipment assets in conjunction with its decision to move towards a Virtual First work model. See Note 4 "Property and Equipment, Net" and Note 9 "Leases" for further information.

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Acquired property and equipment and finite-lived intangible assets are amortized over their useful lives. The Company evaluates the estimated remaining useful life of these assets when events or changes in circumstances warrant a revision to the remaining period of amortization. If the Company revises the estimated useful life assumption for any asset, the remaining unamortized balance is amortized or depreciated over the revised estimated useful life on a prospective basis.

Income taxes

Deferred income tax balances reflect the effects of temporary differences between the financial reporting and tax bases of the Company's assets and liabilities using enacted tax rates expected to apply when taxes are actually paid or recovered. In addition, deferred tax assets are recorded for net operating loss and credit carryforwards.

A valuation allowance is provided against deferred tax assets unless it is more likely than not that they will be realized based on all available positive and negative evidence. Such evidence includes, but is not limited to, recent cumulative earnings or losses, expectations of future taxable income by taxing jurisdiction, and the carry-forward periods available for the utilization of deferred tax assets.

The Company uses a two-step approach to recognizing and measuring uncertain income tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit. The second step is to measure the tax benefit as the largest amount, which is more than 50% likely of being realized upon ultimate settlement. The Company recognizes interest and penalties related to unrecognized tax benefits as income tax expense.

Although the Company believes that it has adequately reserved for its uncertain tax positions, it can provide no assurance that the final tax outcome of these matters will not be materially different. The Company evaluates its uncertain tax positions on a regular basis and evaluations are based on a number of factors, including changes in facts and circumstances, changes in tax law, such as the 2017 Tax Cuts and Jobs Act ("2017 Tax Reform Act"), the 2020 Coronavirus Aid, Relief, and Economic Security Act ("2020 CARES Act"), and the California 2020 Budget Act, correspondence with tax authorities during the course of an audit, and effective settlement of audit issues.

To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made and could have a material impact on the Company's financial condition and results of operations.

Fair value measurement

The Company applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value measurements for assets and liabilities, the Company considers the principal or most advantageous market in which it would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as risks inherent in valuation techniques, transfer restrictions, and credit risk. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

Recently adopted accounting pronouncements

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In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). Most prominent among the changes in the standard is the recognition of right-of-use assets (“ROU assets”) and lease liabilities by lessees for certain leases classified as operating leases under current GAAP. The Company made the policy election to not recognize a lease liability or right-of-use asset for short-term operating leases.

The Company adopted the standard as of January 1, 2019, using the modified retrospective approach and has elected to use the optional transition method which allows the Company to apply the guidance of ASC 840, including disclosure requirements, in the comparative periods presented. In addition, the Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Company to carry forward the historical lease classification related to agreements entered prior to adoption.

The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. The adoption of the new standard resulted in the recording of operating ROU assets and lease liabilities of approximately \$431.7 million and \$502.4 million, respectively, as of January 1, 2019.

The accounting for finance leases remained unchanged, except for the accounting for certain non-lease components. Lease and non-lease components will be accounted for as a single lease component if the non-lease component is determined to be insignificant to the total agreement.

The cumulative impact of transition to retained earnings, recorded as of the adoption date, was not material. The standard did not materially impact consolidated net earnings and had no impact on cash flows.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. It also eliminates the concept of other-than-temporary impairment and requires credit losses related to available-for-sale debt securities to be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. The Company adopted ASU No. 2016-13 on January 1, 2020 using the modified retrospective approach. The cumulative impact of transition to retained earnings, recorded as of the adoption date, was not material to the Company's consolidated financial statements. The Company did not record any material credit losses during the year ended December 31, 2020.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820)*, which amends disclosure requirements for fair value measurements by requiring new disclosures, modifying existing requirements, and eliminating others. The amendments are the result of a broader disclosure project, which aims to improve the effectiveness of disclosures. The Company adopted ASU No. 2018-13 on January 1, 2020. The adoption of the standard did not have a material impact on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40), Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. The amendments in ASU No. 2018-15 amend the definition of a hosting arrangement and requires a customer in a hosting arrangement that is a service contract to capitalize certain costs as if the arrangement were an internal-use software project. The Company adopted ASU No. 2018-15 on January 1, 2020. The adoption of the standard did not have a material impact on the Company's consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, *Simplifying the Accounting for Income Taxes*. This ASU simplifies accounting for income taxes by removing the exception to the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or gain for other items, the exception to the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment, the exception to the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary, and the exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. This ASU also includes other requirements related to franchise tax, goodwill as part of a business combination, consolidations, changes in tax laws, and affordable housing projects. The Company adopted ASU No. 2019-12 on January 1, 2020. The adoption of the standard did not have a material impact on the Company's consolidated financial statements.

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Note 2. Cash, Cash Equivalents and Short-Term Investments

The amortized cost, unrealized gains and losses and estimated fair value of the Company's cash, cash equivalents and short-term investments as of December 31, 2020 consisted of the following:

| | <u>Amortized cost</u> | <u>Unrealized gain</u> | <u>Unrealized loss</u> | <u>Estimated fair value</u> |
|---------------------------------|-----------------------|------------------------|------------------------|-----------------------------|
| Cash | \$ 67.2 | \$ — | \$ — | \$ 67.2 |
| Cash equivalents | | | | |
| Money market funds | 222.6 | — | — | 222.6 |
| U.S. Treasury securities | 10.6 | — | — | 10.6 |
| Commercial paper | 8.0 | — | — | 8.0 |
| Corporate notes and obligations | 5.0 | — | — | 5.0 |
| Municipal securities | 1.5 | — | — | 1.5 |
| Total cash and cash equivalents | <u>\$ 314.9</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 314.9</u> |
| Short-term investments | | | | |
| Corporate notes and obligations | 374.3 | 2.5 | (0.1) | 376.7 |
| U.S. Treasury securities | 215.4 | 1.0 | — | 216.4 |
| Asset backed securities | 73.5 | 0.6 | — | 74.1 |
| Municipal securities | 38.7 | 0.1 | — | 38.8 |
| U.S. agency obligations | 23.0 | 0.1 | — | 23.1 |
| Commercial paper | 22.5 | — | — | 22.5 |
| Supranational Securities | 18.7 | — | — | 18.7 |
| Foreign government obligations | 18.5 | — | — | 18.5 |
| Certificates of deposit | 17.6 | — | — | 17.6 |
| Total short-term investments | <u>802.2</u> | <u>4.3</u> | <u>(0.1)</u> | <u>806.4</u> |
| Total | <u>\$ 1,117.1</u> | <u>\$ 4.3</u> | <u>\$ (0.1)</u> | <u>\$ 1,121.3</u> |

The amortized cost, unrealized gains and losses and estimated fair value of the Company's cash, cash equivalents and short-term investments as of December 31, 2019 consisted of the following:

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| | Amortized cost | Unrealized gain | Unrealized loss | Estimated fair value |
|---------------------------------|-------------------|-----------------|-----------------|----------------------|
| Cash | \$ 105.0 | \$ — | \$ — | \$ 105.0 |
| Cash equivalents | | | | |
| Money market funds | 444.3 | — | — | 444.3 |
| Commercial paper | 2.0 | — | — | 2.0 |
| Total cash and cash equivalents | <u>\$ 551.3</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 551.3</u> |
| Short-term investments | | | | |
| Corporate notes and obligations | 285.5 | 1.2 | (0.1) | 286.6 |
| U.S. Treasury securities | 171.0 | 0.3 | — | 171.3 |
| Asset backed securities | 53.8 | — | — | 53.8 |
| Certificates of deposit | 38.2 | — | — | 38.2 |
| U.S. agency obligations | 27.2 | — | — | 27.2 |
| Commercial paper | 24.2 | — | — | 24.2 |
| Supranational securities | 4.0 | — | — | 4.0 |
| Municipal securities | 2.4 | — | — | 2.4 |
| Total short-term investments | <u>606.3</u> | <u>1.5</u> | <u>(0.1)</u> | <u>607.7</u> |
| Total | <u>\$ 1,157.6</u> | <u>\$ 1.5</u> | <u>\$ (0.1)</u> | <u>\$ 1,159.0</u> |

Included in cash and cash equivalents is cash in transit from payment processors for credit and debit card transactions of \$9.8 million and \$11.5 million as of December 31, 2020 and December 31, 2019, respectively.

All short-term investments were designated as available-for-sale securities as of December 31, 2020.

The following table presents the contractual maturities of the Company's short-term investments as of December 31, 2020:

| | Amortized cost | Estimated fair value |
|--------------------------------|-----------------|----------------------|
| Due within one year | \$ 215.7 | \$ 216.0 |
| Due between one to three years | 378.9 | 381.9 |
| Due after three years | 207.6 | 208.5 |
| Total | <u>\$ 802.2</u> | <u>\$ 806.4</u> |

The Company had 60 short-term investments in unrealized loss positions as of December 31, 2020. There were no material unrealized losses from available-for-sale securities and no material realized gains or losses from available-for-sale securities that were reclassified out of accumulated other comprehensive income for the year ended December 31, 2020.

As of December 31, 2020, the Company's short-term investments portfolio consisted of nine security types, one of which was in an unrealized loss position. The Company's corporate notes and obligations had unrealized losses of approximately \$0.1 million as of December 31, 2020. Unrealized losses on corporate notes and obligations have not been recorded into income because management does not intend to sell nor will be required to sell these securities prior to their anticipated recovery, and for which the decline in fair value is largely due to changes in credit spreads. The credit ratings associated with the corporate notes and obligations are mostly unchanged, are highly rated and the issuers continue to make timely principal and interest payments.

The Company recorded \$12.5 million, \$22.8 million, and \$16.8 million in interest income from its cash, cash equivalents and short-term investments for the years ended December 31, 2020, 2019 and 2018, respectively.

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Note 3. Fair Value Measurements

The Company measures its financial instruments at fair value each reporting period using a fair value hierarchy that prioritizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. A financial instrument's classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following table presents information about the Company's financial instruments that are measured at fair value on a recurring basis using the input categories discussed in Note 1:

| | As of December 31, 2020 | | | |
|-------------------------------------|--------------------------------|-----------------|----------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash equivalents | | | | |
| Money market funds | \$ 222.6 | \$ — | \$ — | \$ 222.6 |
| U.S. Treasury securities | — | 10.6 | — | 10.6 |
| Commercial paper | — | 8.0 | — | 8.0 |
| Corporate notes and obligations | — | 5.0 | — | 5.0 |
| Municipal securities | — | 1.5 | — | 1.5 |
| Total Cash Equivalents | \$ 222.6 | \$ 25.1 | \$ — | \$ 247.7 |
| Short-term investments | | | | |
| Corporate notes and obligations | — | 376.7 | — | 376.7 |
| U.S. Treasury securities | — | 216.4 | — | 216.4 |
| Asset backed securities | — | 74.1 | — | 74.1 |
| Municipal securities | — | 38.8 | — | 38.8 |
| U.S. agency obligations | — | 23.1 | — | 23.1 |
| Commercial paper | — | 22.5 | — | 22.5 |
| Supranational securities | — | 18.7 | — | 18.7 |
| Foreign government obligations | — | 18.5 | — | 18.5 |
| Certificates of deposit | — | 17.6 | — | 17.6 |
| Total short-term investments | — | 806.4 | — | 806.4 |
| Total | \$ 222.6 | \$ 831.5 | \$ — | \$ 1,054.1 |

As of December 31, 2020, the Company had an investment in a non-marketable equity security in a privately held Company without a readily determinable market value. The investment had a carrying value of \$5.6 million and is categorized as Level 3.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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| | As of December 31, 2019 | | | |
|-------------------------------------|-------------------------|-----------------|-------------|----------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash equivalents | | | | |
| Money market funds | \$ 444.3 | \$ — | \$ — | \$ 44 |
| Commercial paper | — | 2.0 | — | — |
| Total Cash Equivalents | \$ 444.3 | \$ 2.0 | \$ — | \$ 44 |
| Short-term investments | | | | |
| Corporate notes and obligations | — | 286.6 | — | 28 |
| U.S. Treasury securities | — | 171.3 | — | 17 |
| Asset-backed securities | — | 53.8 | — | 5 |
| Certificates of deposit | — | 38.2 | — | 3 |
| U.S. agency obligations | — | 27.2 | — | 2 |
| Commercial paper | — | 24.2 | — | 2 |
| Supranational securities | — | 4.0 | — | — |
| Municipal securities | — | 2.4 | — | — |
| Total short-term investments | — | 607.7 | — | 60 |
| Equity Investments | 9.8 | — | — | — |
| Total | \$ 454.1 | \$ 609.7 | \$ — | \$ 1,06 |

The Company had no transfers between levels of the fair value hierarchy.

The carrying amounts of certain financial instruments, including cash held in banks, accounts receivable and accounts payable approximate fair value due to their short-term maturities and are excluded from the fair value table above.

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Note 4. Property and Equipment, Net

Property and equipment, net consisted of the following:

| | As of December 31, | |
|---|--------------------|----------|
| | 2020 | 2019 |
| Datacenter and other computer equipment | \$ 652.7 | \$ 749.3 |
| Furniture and fixtures | 19.9 | 35.5 |
| Leasehold improvements | 96.9 | 211.4 |
| Construction in progress | 21.0 | 36.3 |
| Total property and equipment | 790.5 | 1,032.5 |
| Accumulated depreciation and amortization | (451.8) | (587.2) |
| Property and equipment, net | \$ 338.7 | \$ 445.3 |

During the fourth quarter of 2020 the Company retired \$104.3 million of fully depreciated datacenter assets that are no longer in use. The Company also wrote down \$215.3 million in gross asset costs which was \$162.4 million net of depreciation as result of its decision to move towards a Virtual First work model. See Note 9 "Leases" for further information.

The Company leases certain infrastructure from various third parties, through equipment finance leases. Infrastructure assets as of December 31, 2020 and 2019, respectively, included a total of \$395.2 million and \$321.8 million acquired under finance lease agreements. These leases are capitalized in property and equipment, and the related amortization of assets under finance leases is included in depreciation and amortization expense. The accumulated depreciation of the infrastructure assets under finance leases totaled \$156.6 million and \$124.6 million as of December 31, 2020 and 2019, respectively.

Construction in progress includes costs primarily related to construction of leasehold improvements for office buildings and datacenters.

Depreciation expense related to property and equipment was \$145.1 million and \$159.9 million for the years ended December 31, 2020 and 2019 respectively.

Note 5. Business Combinations

On February 8, 2019, the Company acquired all outstanding stock of JN Projects, Inc. (d/b/a HelloSign) ("HelloSign"), which provides an e-signature and document workflow platform. The acquisition of HelloSign expands the Company's content collaboration capabilities to include additional business-critical workflows. The results of HelloSign operations have been included in the Company's consolidated results of operations since the date of acquisition.

The purchase consideration transferred consisted of the following:

| | Purchase consideration | |
|---|------------------------|-------|
| Cash paid to common and preferred stockholders and vested option holders | \$ | 175.2 |
| Transaction costs paid by Dropbox on behalf of HelloSign | | 2.4 |
| Fair value of assumed HelloSign options attributable to pre-combination services ⁽¹⁾ | | 0.8 |
| Purchase price adjustments | | (0.5) |
| Total purchase consideration | \$ | 177.9 |

⁽¹⁾ The fair value of options assumed were based upon the Black-Scholes option-pricing model.

In addition to the total purchase consideration above, the Company has compensation agreements with key HelloSign personnel consisting of \$48.5 million in future cash payments subject to on-going employee service. The related expenses are recognized within research and development expenses over the required service period of three years. The payments began in

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the first quarter of 2020, with \$28.2 million paid during the year ended December 31, 2020. The remaining balance of \$20.3 million will be paid evenly in quarterly installments over the remaining required service period.

The purchase consideration was preliminarily allocated to the tangible and intangible assets and liabilities acquired as of the acquisition date, with the excess recorded to goodwill as shown below.

| | |
|---|-----------------|
| Assets acquired: | |
| Cash and cash equivalents | \$ 5.5 |
| Short-term investments | 7.8 |
| Acquisition-related intangible assets | 44.6 |
| Accounts receivable, prepaid and other assets | 5.0 |
| Total assets acquired | <u>\$ 62.9</u> |
| Liabilities assumed: | |
| Accounts payable, accrued and other liabilities | \$ 6.3 |
| Deferred revenue | 4.8 |
| Deferred tax liability | 6.9 |
| Total liabilities assumed | <u>18.0</u> |
| Net assets acquired, excluding goodwill | <u>44.9</u> |
| Total purchase consideration | <u>177.9</u> |
| Goodwill ⁽²⁾ | <u>\$ 133.0</u> |

⁽²⁾ The goodwill recognized was primarily attributable to the opportunity to expand the user base of the Company's platform. The goodwill is not deductible for U.S. federal income tax purposes.

The fair value of the separately identifiable finite-lived intangible assets acquired and estimated weighted average useful lives are as follows:

| | Estimated fair values | Estimated weighted average useful lives (In years) |
|---|-----------------------|--|
| Customer relationships | 20.5 | 4.9 |
| Developed technology | 19.6 | 5.0 |
| Trade name | 4.5 | 5.0 |
| Total acquisition-related intangible assets | <u>\$ 44.6</u> | |

The fair values of the acquisition-related intangibles were determined using the following methodologies: the multi-period excess earnings method, replacement cost method, and the relief from royalty method, for customer relationships, developed technology, and the trade name, respectively. The valuation model inputs required the application of significant judgment by management. At the time of acquisition, the acquired intangible assets had a total weighted average amortization period of 4.9 years.

One-time acquisition-related diligence costs of \$1.0 million were expensed within general and administrative expenses as incurred for the year ended December 31, 2019.

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Note 6. Intangible Assets, Net

Intangible assets consisted of the following:

| | As of December 31, | | Weighted- average remaining useful life (In years) |
|---|--------------------|---------|--|
| | 2020 | 2019 | |
| Developed technology | \$ 26.0 | \$ 25.8 | 3.1 |
| Customer relationships | 20.5 | 20.5 | 3.4 |
| Patents | 12.8 | 13.0 | 7.2 |
| Software | 9.0 | 20.0 | 1.1 |
| Assembled workforce in asset acquisitions | 3.0 | 12.6 | — |
| Licenses | 4.6 | 4.6 | 0.5 |
| Trademarks and trade names | 4.6 | 5.2 | 3.1 |
| Other | 0.8 | 3.3 | 4.7 |
| Total intangibles | 81.3 | 105.0 | |
| Accumulated amortization | (47.8) | (57.6) | |
| Intangible assets, net | \$ 33.5 | \$ 47.4 | |

During 2020 the Company wrote-off \$24.2 million in fully amortized non-compete, trademarks, assembled workforce, patents, and capitalized software assets.

Amortization expense was \$14.1 million, \$13.6 million, and \$6.1 million, for the years ended December 31, 2020, 2019, and 2018, respectively.

Expected future amortization expense for intangible assets as of December 31, 2020, is as follows:

| | | |
|------------|----|------|
| 2021 | \$ | 11.6 |
| 2022 | | 8.3 |
| 2023 | | 7.6 |
| 2024 | | 3.4 |
| 2025 | | 0.9 |
| Thereafter | | 1.7 |
| Total | \$ | 33.5 |

Note 7. Goodwill

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. The changes in the carrying amounts of goodwill were as follows:

| | | |
|--|----|-------|
| Balance at December 31, 2019 | \$ | 234.5 |
| Effect of foreign currency translation | | 2.4 |
| Balance at December 31, 2020 | \$ | 236.9 |

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The goodwill acquired from HelloSign and our other acquisition is carried in U.S. dollars, while goodwill from previous acquisitions is denominated in other foreign currencies.

Goodwill amounts are not amortized, but tested for impairment on an annual basis. There was no impairment of goodwill as of December 31, 2020, 2019, and 2018.

Note 8. Revolving Credit Facility

In April 2017, the Company entered into an amended and restated credit and guaranty agreement which provided for a \$600.0 million revolving loan facility (as amended from time to time, the “revolving credit facility”). In conjunction with the revolving credit facility, the Company paid upfront issuance fees of \$2.6 million, which are being amortized over the five-year term of the agreement.

In February 2018, the Company amended the revolving credit facility to, among other things, permit the Company to make certain investments, enter into an unsecured standby letter of credit facility and increase its standby letter of credit sublimit to \$187.5 million. The Company increased its borrowing capacity under the revolving credit facility from \$600.0 million to \$725.0 million. The Company may from time to time request increases in its borrowing capacity under the revolving credit facility of up to \$275.0 million, provided no event of default has occurred or is continuing or would result from such increase. In conjunction with the amendment, the Company paid upfront issuance fees of \$0.4 million, which are being amortized over the remaining term of the agreement.

Pursuant to the terms of the revolving credit facility, the Company may issue letters of credit under the revolving credit facility, which reduce the total amount available for borrowing. Pursuant to the terms of the revolving credit facility, the Company is required to pay an annual commitment fee that accrues at a rate of 0.20% per annum on the unused portion of the borrowing commitments under the revolving credit facility. In addition, the Company is required to pay a fee in connection with letters of credit issued under the revolving credit facility, which accrues at a rate of 1.5% per annum on the amount of such letters of credit outstanding. There is an additional fronting fee of 0.125% per annum multiplied by the average aggregate daily maximum amount available under all letters of credit. Borrowings under the revolving credit facility bear interest, at the Company’s option, at an annual rate based on LIBOR plus a spread of 1.50% or at an alternative base rate plus a spread of 0.50%.

The revolving credit facility contains customary conditions to borrowing, events of default and covenants, including covenants that restrict the Company’s ability to incur indebtedness, grant liens, make distributions to holders of the Company or its subsidiaries’ equity interests, make investments, or engage in transactions with its affiliates. In addition, the revolving credit facility contains financial covenants, including a consolidated leverage ratio covenant and a minimum liquidity balance of \$100.0 million, which includes any available borrowing capacity. The Company was in compliance with the covenants of the revolving credit facility as of December 31, 2020 and December 31, 2019, respectively.

The Company had an aggregate of \$45.4 million of letters of credit outstanding under the revolving credit facility as of December 31, 2020, and the Company’s total available borrowing capacity under the revolving credit facility was \$679.6 million as of December 31, 2020. The Company’s letters of credit have final expiration dates through 2032.

Note 9. Leases

Leases

The Company has operating leases for corporate offices and datacenters, and finance leases for infrastructure equipment, furniture and fixtures, and computer equipment. The Company’s leases have remaining lease terms of 1 year to 15 years, some of which include options to extend the leases for up to 5 years.

The Company also has subleases for several floors of its former corporate offices. The Company classifies its subleases as operating leases. The subleases have remaining lease terms of 1 year to 13 years. Sublease income, which is recorded as a reduction of rental expense, was \$7.2 million for the year ended December 31, 2020 and \$7.1 million for the year ended December 31, 2019.

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The components of lease cost were as follows:

| | Year ended December | |
|--|---------------------|-------|
| | 2020 | 2019 |
| Operating lease cost ⁽¹⁾ | 125.5 | 111.1 |
| Finance lease cost: | | |
| Amortization of assets under finance lease | 84.8 | 84.8 |
| Interest | 9.1 | 9.1 |
| Total finance lease cost | 93.9 | 93.9 |

⁽¹⁾ Is presented gross of sublease income and includes short-term leases, which are immaterial

Other information related to leases was as follows:

| | Year ended December 31, 2020 | Year ended December 2019 |
|--|---------------------------------|-----------------------------|
| Supplemental Cash Flow Information: | | |
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Payments for operating leases included in cash from operating activities | \$ 121.5 | \$ 111.1 |
| Payments for finance leases included in cash from operating activities | 9.1 | 9.1 |
| Payments for finance leases included in cash from financing activities | 89.5 | 89.5 |
| Assets obtained in exchange for lease obligations: | | |
| Operating leases | 109.3 | 109.3 |
| Finance leases | \$ 145.8 | \$ 145.8 |

| | As of December 31, 2020 | Year ended December 31, 2019 |
|---|-------------------------|---------------------------------|
| Weighted Average Remaining Lease Term (in years) | | |
| Operating leases | 10.6 | 11.3 |
| Finance leases | 2.9 | 3.0 |
| Weighted Average Discount Rate | | |
| Operating leases | 4.0 % | 4.3 % |
| Finance leases | 3.4 % | 4.3 % |

Future minimum lease payments under non-cancellable leases as of December 31, 2020 were as follows:

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| Year ending December 31, | Operating leases ⁽¹⁾ | Finance leases |
|-------------------------------------|---------------------------------|-----------------|
| 2021 | \$ 122.5 | \$ 106.9 |
| 2022 | 117.0 | 93.3 |
| 2023 | 101.1 | 59.6 |
| 2024 | 90.5 | 24.6 |
| 2025 | 85.3 | — |
| Thereafter | 564.7 | — |
| Total future minimum lease payments | 1,081.1 | 284.4 |
| Less imputed interest | (223.2) | (13.2) |
| Less tenant incentive receivables | (9.6) | — |
| Total obligations | \$ 848.3 | \$ 271.2 |

⁽¹⁾ Consists of future non-cancelable minimum rental payments under operating leases for the Company's corporate offices and datacenters where the Company has possession, excluding rent payments from the Company's sub-tenants and variable operating expenses.

Future non-cancelable rent payments from the Company's subtenants as of December 31, 2020 were as follows:

| Year ending December 31, | Operating leases |
|---|------------------|
| 2021 | \$ 15. |
| 2022 | 19. |
| 2023 | 11. |
| 2024 | 10. |
| 2025 | 10. |
| Thereafter | 67. |
| Total future sublease rent payments | 133. |
| Less sub-tenant incentive | (10.) |
| Total future sublease rent payments, net | \$ 123. |

In 2017, the Company entered into a lease agreement for office space in San Francisco, California, to serve as its corporate headquarters. The Company took initial possession of the first phase of its corporate headquarters in June 2018, and began to recognize single lease cost and recorded a lease obligation, net of tenant improvement reimbursements associated with the first phase. In April 2019, the Company took possession of the second phase, and began to recognize additional lease costs and recorded an additional lease obligation, net of tenant improvement reimbursements related to the second phase. In December 2019, the Company took possession of the final phase, and began to recognize lease costs and lease obligation, net of tenant improvement reimbursements related to the third phase. The Company's total expected minimum obligations over the entire lease term for all three phases are \$836.4 million, which excludes expected tenant improvement reimbursements from the landlord of approximately \$75.0 million and variable operating expenses. The Company's obligations under the lease are supported by a \$34.2 million letter of credit, which reduced the borrowing capacity under the revolving credit facility. For the year ended December 31, 2020, the Company collected tenant improvement reimbursements from the landlord totaling \$16.4 million.

In the fourth quarter of 2020, the Company announced a new Virtual First work model pursuant to which remote work will become the primary experience for all of its employees. As part of the Virtual First strategy, Dropbox will retain a portion of its office space to be used for the Company's team collaboration use and a portion will be marketed for sublease. The Company evaluated certain of its right-of-use assets and other lease related assets including leasehold improvements, furniture and fixtures, and computer equipment for impairment under ASC 360.

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In connection with analysis, the Company reassessed its real estate asset groups and estimated the fair value of the office space to be subleased using current market conditions. Where the carrying value of the individual asset groups exceeded their fair value, an impairment charge was recognized for the difference.

As a result, the Company recorded total impairment of \$398.2 million for right-of-use and other lease related assets. Of the total impairment charge, \$215.8 million is related to right-of-use assets and \$182.4 million is related to other lease related assets including leasehold improvements, furniture and fixtures, and computer equipment.

The Company utilized an income approach to value the asset groups by developing discounted cash flow models. The significant assumptions used in the discounted cash flow models for each of the asset groups included projected sublease income over the remaining lease terms, expected downtime prior to the commencement of future subleases, expected lease incentives offered to future tenants, and discount rates that reflected the level of risk associated with these future cash flows. These significant assumptions are considered Level 3 inputs in accordance with the fair value hierarchy described in Note 1. Description of the Business and Summary of Significant Accounting Policies.

As of December 31, 2020, the Company had commitments of \$112.8 million for operating leases that have not yet commenced, and therefore are not included in the right-of-use asset or operating lease liability. These operating leases will commence in 2021 with lease terms of 5 years to 15 years.

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Note 10. Commitments and Contingencies

Other commitments

Other commitments include payments to third-party vendors for services related to the Company's infrastructure, infrastructure warranty contracts, and asset retirement obligations for office modifications.

Future minimum payments under the Company's non-cancelable leases, finance lease obligations, and other commitments as of December 31, 2020, are as follows, and exclude non-cancelable rent payments from the Company's sub-tenants:

| | Finance lease commitments | Operating lease commitments ⁽¹⁾ | Other commitment |
|---|---------------------------------|---|---------------------|
| Year ended December 31: | | | |
| 2021 | 106.9 | 125.0 | 5 |
| 2022 | 93.3 | 125.8 | 3 |
| 2023 | 59.6 | 109.4 | 3 |
| 2024 | 24.6 | 98.7 | |
| 2025 | — | 93.5 | |
| Thereafter | — | 642.8 | 1 |
| Future minimum payments | 284.4 | 1,195.2 | 14 |
| Less interest and taxes | (13.2) | | |
| Less current portion of the present value of minimum lease payments | (99.6) | | |
| Financing lease obligations, net of current portion | 171.6 | | |

(1) This balance includes short-term lease obligations and operating leases that we have entered into but have not yet commenced.

(2) This balance excludes founder holdbacks related to our acquisition of HelloSign. See Note 5, "Business Combinations" for further details.

Legal matters

From time to time, the Company is a party to a variety of claims, lawsuits, and proceedings which arise in the ordinary course of business, including claims of alleged infringement of intellectual property rights. The matters described in Item 3. ("Legal Proceedings") are examples of the types of claims Dropbox is currently defending. The Company records a liability when it believes that it is probable that a loss will be incurred and the amount of loss or range of loss can be reasonably estimated. In its opinion, resolution of pending matters is not likely to have a material adverse impact on its condensed consolidated results of operations, cash flows, or its financial position. Given the unpredictable nature of legal proceedings, the Company bases its estimate on the information available at the time of the assessment. As additional information becomes available, the Company reassesses the potential liability and may revise the estimate.

The Company is currently involved in four putative class action lawsuits alleging violations of the federal securities laws that were filed on August 30, 2019, September 5, 2019, September 13, 2019, and October 3, 2019, in the Superior Court of the State of California, San Mateo County, against the Company, certain of its officers and directors, underwriters of its IPO, and Sequoia Capital XII, L.P. and certain of its affiliated entities (collectively, the "Dropbox Defendants"). On October 4, 2019, two putative class action lawsuits alleging violations of the federal securities laws were filed against the Dropbox Defendants in the U.S. District Court for the Northern District of California (the "Federal Plaintiffs"). The six lawsuits each made the same or similar allegations of violations of federal securities laws, for allegedly making materially false and misleading statements in, or omitting material information from, the Company's IPO registration statement. The plaintiffs sought unspecified monetary damages and other relief.

On March 2, 2020, the Federal Plaintiffs filed a consolidated class action complaint. On April 16, 2020, the Dropbox Defendants filed a motion to dismiss the federal consolidated class action complaint. On October 21, 2020, the court issued an order granting the Company's motion to dismiss the Federal Plaintiffs' complaint, setting a deadline of January 6, 2021 for the Federal Plaintiffs to file any amended complaint. The federal court extended this deadline to February 22, 2021 to provide time for the parties to explore resolving the case. On February 11, 2021, the parties attended mediation and reached a settlement in principle for an immaterial amount subject to final documentation and preliminary and final approval by the court.

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On May 11, 2020, the Dropbox Defendants filed a motion to dismiss the consolidated state court case based on the exclusive federal forum provisions contained in the Company's amended and restated bylaws. On December 4, 2020, the state court issued an order granting our motion to dismiss the consolidated state court case. On December 15, 2020, the State Plaintiffs filed a notice of appeal of this order. The Company believes the appeal and claims are without merit and intends to vigorously defend against them.

Indemnification

The Company's arrangements generally include certain provisions for indemnifying customers against liabilities if its products or services infringe a third party's intellectual property rights. It is not possible to determine the maximum potential amount under these indemnification obligations due to the limited history of prior indemnification claims.

Note 11. Accrued and Other Current Liabilities

Accrued and other current liabilities consisted of the following:

| | As of December 31, | |
|---|---------------------------|-----------------|
| | 2020 | 2019 |
| Non-income taxes payable | \$ 85.9 | \$ 92.2 |
| Accrued legal and other external fees | 23.4 | 29.2 |
| Other accrued and current liabilities | 47.4 | 40.5 |
| Total accrued and other current liabilities | <u>\$ 156.7</u> | <u>\$ 161.9</u> |

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Note 12. Stockholders' Equity***Common stock***

The Company's amended and restated certificate of incorporation authorizes the issuance of Class A common stock, Class B common stock, and Class C common stock. Holders of Class A common stock, Class B common stock, and Class C common stock are entitled to dividends on a pro rata basis, when, as, and if declared by the Company's Board of Directors, subject to the rights of the holders of the Company's preferred stock. Holders of Class A common stock are entitled to one vote per share, holders of Class B common stock are entitled to 10 votes per share, and holders of Class C common stock are entitled to zero votes per share. Holders of Class B common stock voluntarily converted 77.8 million and 38.9 million shares into an equivalent number shares of Class A common stock during the years ended December 31, 2020 and December 31, 2019 respectively.

As of December 31, 2020, the Company had authorized 2,400.0 million shares of Class A common stock, 475.0 million shares of Class B common stock, and 800.0 million shares of Class C common stock, each at par value of \$0.00001. As of December 31, 2020, 322.3 million shares of Class A common stock, 83.5 million shares of Class B common stock, and no shares of Class C common stock were issued and outstanding. As of December 31, 2019, 255.8 million shares of Class A common stock, 161.2 million shares of Class B common stock, and no shares of Class C common stock were issued and outstanding. Class A shares issued and outstanding as of December 31, 2020 exclude restricted stock awards granted to certain executives during the year. Class A shares issued and outstanding as of December 31, 2020 exclude 10.3 million unvested restricted stock awards granted to the Company's co-founder. Class A shares issued and outstanding as of December 31, 2019 and 2018 exclude 14.7 million unvested restricted stock awards granted to the Company's co-founders. See "Co-Founder Grants" section below for further details.

Preferred stock

The Company's Board of Directors has the authority, without further action by the Company's stockholders, to issue up to 240.0 million shares of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by the Board of Directors.

Stock repurchase program

In February 2020, the Company's Board of Directors approved a stock repurchase program for the repurchase of up to \$600 million of the Company's outstanding shares of Class A common stock. In February 2021 the Board of Directors authorized the Company to repurchase up to an additional \$1 billion of the Company's outstanding shares of Class A common stock. Share repurchases will be made from time to time in private transactions or open market purchases, as permitted by securities laws and other legal requirements and will be subject to a review of the circumstances in place at that time, including prevailing market prices. The program does not obligate the Company to repurchase any specific number of shares and may be discontinued at any time.

During the year ended December 31, 2020, the Company repurchased and subsequently retired 20.2 million shares of its Class A common stock for an aggregate amount of \$397.5 million.

Equity incentive plans

Under the 2018 Plan, the Company may grant stock-based awards to purchase or directly issue shares of common stock to employees, directors, and consultants. Options are granted at a price per share equal to the fair market value of the Company's common stock at the date of grant. Options granted are exercisable over a maximum term of 10 years from the date of grant and generally vest over a period of four years. RSUs and RSAs are also granted under the 2018 Plan. The 2018 Plan will terminate 10 years after the later of (i) its adoption or (ii) the most recent stockholder-approved increase in the number of shares reserved under the 2018 Plan, unless terminated earlier by the Company's Board of Directors. The 2018 Plan was adopted on March 22, 2018.

In connection with the acquisition of HelloSign, the Company assumed unvested stock options that had been granted under HelloSign's 2011 Equity Incentive Plan.

DROPBOX, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in tables are in millions except per share data, or as otherwise noted)

As of December 31, 2020, there were 33.3 million stock-based awards issued and outstanding and 78.5 million shares available for issuance under the Dropbox Equity Incentive Plans and HelloSign's 2011 Equity Incentive Plan (collectively, the "Plans").

Stock option and restricted stock activity for the Plans was as follows for the years ended December 31, 2020 and 2019:

| | Number of shares available for issuance under the Plans | Options outstanding | | | | Restricted stock outstanding | |
|--|---|--|---|--|---------------------------|-----------------------------------|--|
| | | Number of shares outstanding under the Plans | Weighted-average exercise price per share | Weighted-average remaining contractual term (In years) | Aggregate Intrinsic Value | Number of Plan shares outstanding | Weighted-average grant date fair value per share |
| Balance at December 31, 2018 | 57.1 | 1.3 | \$ 14.68 | 5.0 | 9.1 | 25.0 | \$ 18.68 |
| Additional shares authorized | 21.2 | | | | | | |
| Stock options assumed | 0.9 | 0.9 | \$ 6.02 | | | | |
| Options exercised and restricted stock units released | — | (0.3) | \$ 6.82 | | | (11.2) | 19.01 |
| Options and restricted stock units canceled | 7.1 | (0.2) | \$ 18.89 | | | (6.9) | 19.32 |
| Shares withheld related to net share settlement | 4.1 | | | | | | 18.87 |
| Options and restricted stock units granted | (24.2) | 0.3 | 23.09 | | | 23.8 | 21.34 |
| Balance at December 31, 2019 | 66.2 | 2.0 | \$ 12.28 | 6.5 | 16.4 | 30.7 | \$ 20.48 |
| Additional shares authorized | 21.7 | — | — | | | — | — |
| Options exercised and restricted stock units and awards released | — | (0.4) | 5.67 | | | (13.1) | 19.57 |
| Options and restricted stock units and awards canceled | 10.8 | (0.3) | 17.62 | | | (10.6) | 19.92 |
| Shares withheld related to net share settlement | 4.7 | — | — | | | — | 19.56 |
| Options and restricted stock units and awards granted | (24.9) | — | — | | | 24.9 | 18.88 |
| Balance as of December 31, 2020 ⁽¹⁾ | 78.5 | 1.3 | \$ 13.73 | 5.7 | 11.35 | 31.9 | \$ 19.79 |
| Vested at December 31, 2020 | | 1.0 | \$ 16.02 | 5.2 | 6.75 | — | \$ — |
| Unvested at December 31, 2020 | | 0.3 | \$ 5.86 | | 4.60 | 31.9 | \$ 19.79 |

⁽¹⁾ This amount excludes restricted stock awards granted with service and market based vesting conditions.

The following table summarizes information about the pre-tax intrinsic value of options exercised during the years ended December 31, 2020 and 2019:

| | Year ended December 31, | |
|--------------------------------------|-------------------------|--------|
| | 2020 | 2019 |
| Intrinsic value of options exercised | \$ 6.3 | \$ 5.3 |

DROPBOX, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in tables are in millions except per share data, or as otherwise noted)

As of December 31, 2020, unamortized stock-based compensation related to unvested stock options, restricted stock awards (excluding the Co-Founder Grants), and RSUs was \$613.9 million. The weighted-average period over which such compensation expense will be recognized if the requisite service is provided is approximately 2.8 years as of December 31, 2020.

Assumed stock options

In connection with the acquisition of HelloSign the Company assumed 0.9 million unvested stock options which were valued using the Black-Scholes option-pricing model. The fair value of stock options assumed were estimated using the following assumptions:

| | | |
|--------------------------|---------------|---|
| Expected volatility | 51.6 | % |
| Expected term (in years) | 3.4 - 7.0 | |
| Risk-free interest rate | 2.42% - 2.51% | |
| Dividend yield | — | % |

Expected volatility. The expected volatility is based on the Company's historical volatility. Management believes this is the best estimate of the expected volatility over the expected life of its stock options.

Expected term. The Company determines the expected term based on the average period the stock options are expected to remain outstanding, generally calculated as the midpoint of the stock options' remaining vesting term and contractual expiration period, as the Company does not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior.

Risk-free interest rate. The risk-free interest rate is based on the U.S. Treasury security in effect at the time the options were assumed for maturities corresponding with the expected term of the option.

Expected dividend yield. The Company has not paid and does not expect to pay dividends. Consequently, the Company uses an expected dividend yield of zero.

The estimated weighted-average grant date fair value for stock options assumed was \$21.60 per share and total fair value of \$19.4 million, of which, \$18.6 million will be recognized as post-combination stock-based compensation expense.

Co-Founder Grants

In December 2017, the Board of Directors approved a grant to the Company's co-founders of non-Plan RSAs with respect to 14.7 million shares of Class A Common Stock in the aggregate (collectively, the "Co-Founder Grants"), of which 10.3 million RSAs were granted to Mr. Houston, the Company's co-founder and Chief Executive Officer, and 4.4 million RSAs were granted to Mr. Ferdowsi, the Company's co-founder and former director. These Co-Founder Grants have service-based, market-based, and performance-based vesting conditions. The Co-Founder Grants are excluded from Class A common stock issued and outstanding until the satisfaction of these vesting conditions. The Co-Founder Grants also provide the holders with certain stockholder rights, such as the right to vote the shares with the other holders of Class A common stock and a right to cumulative declared dividends. However, the Co-Founder Grants are not considered a participating security for purposes of calculating net loss per share attributable to common stockholders in Note 13, "Net Loss Per Share", as the right to the cumulative declared dividends is forfeitable if the service condition is not met.

The Co-Founder Grants are eligible to vest over the ten-year period following the date the Company's shares of Class A common stock commenced trading on the Nasdaq Global Select Market in connection with the Company's IPO. The Co-Founder Grants comprise nine tranches that are eligible to vest based on the achievement of stock price goals ranging from \$30 to \$90 per share, each of which are referred to as a Stock Price Target, measured over a consecutive thirty-day trading period during the Performance Period. The Performance Period began on January 1, 2019.

DROPBOX, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in tables are in millions except per share data, or as otherwise noted)

During the first four years of the Performance Period, no more than 20% of the shares subject to each Co-Founder Grant would be eligible to vest in any calendar year. After the first four years, all shares are eligible to vest based on the achievement of the Stock Price Targets.

In March 2020, one of the Company's co-founders, Mr. Ferdowski, resigned as a member of the Board of Directors and as an officer of the Company. As he did not provide the requisite service associated with the Co-Founder Grants, the Company reversed all stock-based compensation expense that had been recognized from the grant date through March 19, 2020, which totaled \$23.8 million, of which \$21.5 million related to expense recognized prior to December 31, 2019, and ceased recognizing further expense related to the award.

The Company recognized stock-based compensation expense related to the Co-Founder Grants of \$23.4 and \$34.9 million during the years ended December 31, 2020 and December 31, 2019, respectively. The amount of stock-based compensation expense related to the Co-Founder Grants for the year ended December 31, 2020 does not include the reversal of \$23.8 million in expense for Mr. Ferdowski's grant. Unamortized stock-based compensation expense related to the Co-Founder Grants was \$35.7 million and \$84.2 million for the years ended December 31, 2020 and December 31, 2019, respectively.

Note 13. Net Loss Per Share

The Company computes net loss per share using the two-class method required for multiple classes of common stock and participating securities. The rights, including the liquidation and dividend rights, of the Class A common stock and Class B common stock are substantially identical, other than voting rights. Accordingly, the Class A common stock and Class B common stock share equally in the Company's net income and losses.

The following table sets forth the calculation of basic and diluted net loss per share attributable to common stockholders during the periods presented. The voluntary conversions of Class B common stock into Class A common stock are included in the table below weighted for the respective periods outstanding.

| | Year ended December 31, | | | | | |
|--|--------------------------------|-----------|-------------|-----------|-------------|------------|
| | 2020 | | 2019 | | 2018 | |
| | Class A | Class B | Class A | Class B | Class A | Class B |
| Numerator: | | | | | | |
| Net loss attributable to common stockholders | \$ (182.5) | \$ (73.8) | \$ (30.3) | \$ (22.4) | \$ (138.7) | \$ (346.2) |
| Denominator: | | | | | | |
| Weighted-average number of common shares outstanding used in computing basic and diluted net loss per common share | 295.0 | 119.3 | 236.8 | 174.8 | 102.6 | 256.0 |
| Net loss per common share, basic and diluted | \$ (0.62) | \$ (0.62) | \$ (0.13) | \$ (0.13) | \$ (1.35) | \$ (1.35) |

Since the Company was in a loss position for all periods presented, basic net loss per share attributable to common stockholders is the same as diluted net loss per share for all periods as the inclusion of all potential common shares outstanding would have been anti-dilutive. The weighted-average impact of potentially dilutive securities that were not included in the diluted per share calculations because they would be anti-dilutive was as follows:

DROPBOX, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in tables are in millions except per share data, or as otherwise noted)

| | Year ended December 31, | | |
|---|-------------------------|-------------|-------------|
| | 2020 | 2019 | 2018 |
| Restricted stock units and awards | 10.5 | 29.3 | 35.0 |
| Options to purchase shares of common stock | 0.9 | 1.9 | 4.0 |
| Co-Founder Grants | 11.3 | 14.7 | 14.7 |
| Shares subject to repurchase from early-exercised options and unvested restricted stock | — | — | 0.1 |
| Total | 22.7 | 45.9 | 53.8 |

Note 14. Income Taxes

For the years ended December 31, 2020, 2019, and 2018, the Company's loss from continuing operations before provision for income taxes was as follows:

| | Year ended December 31, | | |
|---------------------------------|-------------------------|------------------|-------------------|
| | 2020 | 2019 | 2018 |
| Domestic | \$ (57.7) | \$ (98.8) | \$ (497.1) |
| Foreign | (192.5) | 46.8 | 17.0 |
| Loss before income taxes | \$ (250.2) | \$ (52.0) | \$ (480.1) |

The components of the benefit from (provision for) income taxes in the years ended December 31, 2020, 2019, and 2018, were as follows:

| | Year ended December 31, | | |
|--|-------------------------|-----------------|-----------------|
| | 2020 | 2019 | 2018 |
| Current: | | | |
| Federal | \$ — | \$ 0.1 | \$ (0.1) |
| State | (2.7) | (0.6) | (0.2) |
| Foreign | (6.0) | (7.7) | (4.6) |
| Deferred: | | | |
| Federal | — | 6.6 | — |
| State | — | 0.6 | — |
| Foreign | 2.6 | 0.3 | 0.1 |
| Benefit from (provision for) income taxes | \$ (6.1) | \$ (0.7) | \$ (4.8) |

A reconciliation of income taxes at the statutory federal income tax rate to the benefit from (provision for) income taxes included in the accompanying consolidated statements of operations is as follows:

DROPBOX, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in tables are in millions except per share data, or as otherwise noted)

| | Year ended December 31, | | |
|---|-------------------------|-----------------|-----------------|
| | 2020 | 2019 | 2018 |
| Tax benefit at federal statutory rate | \$ 52.5 | \$ 10.9 | \$ 100.8 |
| State taxes, net of federal benefit | 1.2 | 2.4 | 10.7 |
| Foreign rate differential | (12.2) | (0.9) | 1.8 |
| Research and other credits | 34.9 | 30.2 | 86.5 |
| Non-deductible compensation | (4.1) | (3.4) | — |
| Meals & entertainment | (0.6) | (2.5) | (2.2) |
| Permanent differences | (1.2) | (2.1) | (16.2) |
| Change in valuation allowance | (69.6) | (32.2) | (240.7) |
| Stock-based compensation | (3.2) | 1.8 | 57.3 |
| Other non-deductible items | (3.8) | (4.9) | (2.8) |
| Benefit from (provision for) income taxes | <u>\$ (6.1)</u> | <u>\$ (0.7)</u> | <u>\$ (4.8)</u> |

The significant components of the Company's deferred tax assets and liabilities as of December 31, 2020 and 2019 were as follows:

| | As of December 31, | |
|---|--------------------|---------------|
| | 2020 | 2019 |
| Deferred tax assets: | | |
| Net operating loss carryforwards | \$ 230.3 | \$ 257.2 |
| Research credit carryforwards | 226.3 | 188.6 |
| Stock-based compensation | 27.3 | 29.3 |
| Accruals and reserves | 34.0 | 32.3 |
| Lease liability | 208.1 | 189.8 |
| Other | 3.2 | 1.0 |
| Gross deferred tax assets | 729.2 | 698.2 |
| Valuation allowance | (583.7) | (510.8) |
| Total deferred tax assets, net of valuation allowance | 145.5 | 187.4 |
| Deferred tax liabilities: | | |
| Fixed assets and intangible assets | 5.8 | 13.1 |
| Right-of-use assets | 135.4 | 172.7 |
| Other | 0.3 | 0.3 |
| Total deferred tax liability | 141.5 | 186.1 |
| Net deferred tax assets | <u>\$ 4.0</u> | <u>\$ 1.3</u> |

For the years ended December 31, 2020 and 2019, based on all available objective evidence, including the existence of cumulative losses, the Company determined that it was unlikely that the U.S., Ireland, and Israel net deferred tax assets were fully realizable as of December 31, 2020 and 2019. Accordingly, the Company established a full valuation allowance against its U.S. and Ireland deferred tax assets and a partial valuation allowance against its Israeli deferred tax assets.

Given the Company's recent history of foreign earnings, management believes that there is a reasonable possibility that, within the next twelve months, sufficient positive evidence may become available to allow management to reach a conclusion that a significant portion of the valuation allowance recorded against the deferred tax assets held by its Irish subsidiary will be reversed. The reversal would result in an income tax benefit for the quarterly and annual fiscal period in which the Company releases the valuation allowance. However, the exact timing and amount of the valuation allowance release are subject to change on the basis of the level of profitability that the Company actually achieves.

DROPBOX, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in tables are in millions except per share data, or as otherwise noted)

As of December 31, 2020, the Company had \$697.7 million of federal, \$292.8 million of state, and \$430.5 million of foreign net operating loss carryforwards available to reduce future taxable income. Of the federal net operating loss carryforwards, \$71.8 million will begin to expire in 2032 and \$625.9 million will carryforward indefinitely, while state net operating losses begin to expire in 2029.

As of December 31, 2020, the Company had research credit carryforwards of \$207.9 million and \$113.8 million for federal and state income tax purposes, respectively, of which \$51.9 million and \$28.5 million is the unrecognized tax benefit portion related to the research credit carryforwards for federal and state, respectively.

The federal credit carryforward will begin to expire in 2027. The state research credits have no expiration date. The Company also had \$2.1 million of state enterprise zone credit carryforwards, which will begin to expire in 2023.

As of December 31, 2020, the Company also had \$407.6 million of foreign net operating loss carryforwards available to reduce future taxable income, which will carryforward indefinitely. In addition, the Company had \$22.9 million of foreign acquired net operating losses, which will carryforward indefinitely. The Company also had \$0.5 million of foreign tax credit carryforwards, which will carryforward indefinitely.

Under Section 382 and 383 of the Internal Revenue Code of 1986, as amended, or the 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 attributes, such as research tax credits, to offset its post-change income may be limited. In general, an “ownership change” will occur if there is a cumulative change in our ownership by “5-percent shareholders” that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws. The Company has determined that it has experienced multiple ownership changes and, as a result, the annual utilization of its net operating loss carryforwards and other pre-change attributes will be subject to limitation. However, the Company does not expect that the annual limitations will significantly impact its ability to utilize its net operating loss or tax credit carryforwards prior to expiration.

As of December 31, 2020, the balance of unrecognized tax benefits was \$91.4 million of which \$11.0 million, if recognized, would affect the effective tax rate and \$80.4 million would result in adjustment to deferred tax assets with corresponding adjustments to the valuation allowance.

A reconciliation of the beginning and ending amount of unrecognized tax benefit is as follows:

| | Year ended December 31, | | |
|--|--------------------------------|----------------|----------------|
| | 2020 | 2019 | 2018 |
| Balance of gross unrecognized tax benefits at the beginning of the fiscal year | \$ 74.5 | \$ 59.8 | \$ 25.6 |
| Gross increases related to prior period tax positions | 1.3 | 0.1 | 1.1 |
| Gross increases related to current period tax positions | 15.8 | 14.6 | 33.1 |
| Reductions due to lapse in statute of limitations | (0.2) | — | — |
| Reductions due to settlements with taxing authorities | — | — | — |
| Balance of gross unrecognized tax benefits at the end of the fiscal year | <u>\$ 91.4</u> | <u>\$ 74.5</u> | <u>\$ 59.8</u> |

The Company recognizes interest and/or penalties related to income tax matters as a component of income tax expense. As of December 31, 2020, the amount of accrued interest and penalties related to uncertain tax positions was \$3.3 million. Interest and penalties recognized for the year ended December 31, 2020, 2019, and 2018 was \$0.7 million, \$1.3 million, and \$0.7 million, respectively.

It is reasonably possible that there could be changes to the amount of uncertain tax positions due to activities of the taxing authorities, settlement of audit issues, reassessment of existing uncertain tax positions, or the expiration of applicable statutes of limitations; however, the Company is not able to estimate the impact of these items at this time.

DROPBOX, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in tables are in millions except per share data, or as otherwise noted)

The Company files income tax returns in the U.S. federal, multiple states, and foreign jurisdictions. All of the Company's tax years from 2007 remain open for examination by the federal and state authorities, and from 2013 by foreign authorities.

The Company generally does not provide deferred income taxes for the undistributed earnings of its foreign subsidiaries as the Company intends to reinvest such earnings indefinitely. Should circumstances change and it becomes apparent that some or all of the undistributed earnings will no longer be indefinitely reinvested, the Company will accrue for income taxes not previously recognized. As of December 31, 2020, there were no cumulative undistributed earnings in its Irish subsidiary and, as a result, there were no unrecorded deferred tax liabilities. The amount of undistributed earnings in the Company's other foreign subsidiaries, if any, are immaterial.

On June 7, 2019, a judicial panel of the Ninth Circuit Court of Appeals issued an opinion in Altera Corp. v. Commissioner that would require related parties in an intercompany cost-sharing arrangement to share expenses related to stock-based compensation. On July 22, 2019, the taxpayer requested an en banc rehearing before the full Ninth Circuit Court of Appeals and the request was denied on November 12, 2019. On February 10, 2020, the taxpayer filed a petition for writ of certiorari to the U.S. Supreme Court, which was denied on June 22, 2020. Accordingly, the Company has included stock-based compensation in its cost-sharing agreements and as a result, the Company recognized additional state tax expenses in some jurisdictions which do not have sufficient net operating losses to offset the state income. There was no material impact on the Company's income tax provision for the U.S. and Ireland due to its full valuation allowance.

On June 29, 2020, California Governor Newsom signed Assembly Bill No. 85 as part of the California 2020 Budget Act which temporarily suspends the use of California net operating losses and imposes a cap on the amount of business incentive tax credits companies can utilize against their net income. This guidance does not have a material impact on the Company's provision for income taxes in its consolidated financial statements as of December 31, 2020.

Note 15. Geographic Areas

Long-lived assets

The following table sets forth long-lived assets by geographic area:

| | As of December 31, | |
|-----------------------------------|--------------------|-----------------|
| | 2020 | 2019 |
| United States | \$ 334.2 | \$ 431.9 |
| International ⁽¹⁾ | 4.5 | 13.4 |
| Total property and equipment, net | <u>\$ 338.7</u> | <u>\$ 445.3</u> |

⁽¹⁾ No single country other than the United States had a property and equipment balance greater than 10% of total property and equipment, net, as of December 31, 2020 and 2019.

Revenue

Revenue by geography is generally based on the address of the customer as defined in the Company's subscription agreement. The following table sets forth revenue by geographic area for the years ended December 31, 2020, 2019, and 2018:

| | Year ended December 31, | | |
|------------------------------|-------------------------|-------------------|-------------------|
| | 2020 | 2019 | 2018 |
| United States | \$ 999.3 | \$ 854.1 | \$ 706.5 |
| International ⁽¹⁾ | 914.6 | 807.2 | 685.2 |
| Total revenue | <u>\$ 1,913.9</u> | <u>\$ 1,661.3</u> | <u>\$ 1,391.7</u> |

⁽¹⁾ No single country outside of the United States accounted for more than 10 percent of total revenue during the years ended December 31, 2020, 2019, and 2018

DROPBOX, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in tables are in millions except per share data, or as otherwise noted)

Note 16. Subsequent Events

On February 12, 2021 the Board of Directors authorized the Company to repurchase up to an additional \$1 billion of the Company's outstanding shares of Class A common stock under our previously announced stock repurchase program. The Company is authorized to repurchase, from time-to-time, shares of its outstanding common stock through open market purchases or in privately negotiated transactions, in accordance with applicable rules and regulations, at such time and such prices as management may decide. The program does not obligate the Company to repurchase any specific number of shares and may be discontinued at any time.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES**Evaluation of Disclosure Controls and Procedures**

Our Management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, our principal executive officer and principal financial officer have concluded that as of such date, our disclosure controls and procedures were effective at a reasonable assurance level.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

Our management, under the supervision of our Chief Financial Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2020.

The effectiveness of our internal control over financial reporting as of December 31, 2020 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report, which is included in Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(d) and 15d-15(d) under the Exchange Act) that occurred during the quarter ended December 31, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Disclosure Controls and Procedures

Our management, including our principal executive officer and principal financial officer, do not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no

evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Due to inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is incorporated by reference to our Proxy Statement relating to our 2021 Meeting of Stockholders. The Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the end of the fiscal year ended December 31, 2020.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to our Proxy Statement relating to our 2021 Meeting of Stockholders. The Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the end of the fiscal year ended December 31, 2020.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated by reference to our Proxy Statement relating to our 2021 Meeting of Stockholders. The Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the end of the fiscal year ended December 31, 2020.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference to our Proxy Statement relating to our 2021 Meeting of Stockholders. The Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the end of the fiscal year ended December 31, 2020.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is incorporated by reference to our Proxy Statement relating to our 2021 Meeting of Stockholders. The Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the end of the fiscal year ended December 31, 2020.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

The following documents are filed as a part of this Annual Report on Form 10-K

(a) Financial statements

Our Consolidated Financial Statements are listed in the “Index to Consolidated Financial Statements” under Part II, Item 8 of this Annual Report on Form 10-K.

(b) Financial statement schedules.

All financial statement schedules not listed above have been omitted because the information called for is not required or is shown either in the consolidated financial statements or in the notes thereto.

(c) Exhibits

The documents listed in the Exhibit Index of this Annual Report on Form 10-K are incorporated by reference or are filed with this Annual Report on Form 10-K, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

EXHIBIT INDEX

| Exhibit Number | Description | Form | File Number | Exhibit | Filed with SEC |
|----------------|--|-------|-------------|---------|-------------------|
| 3.1 | Amended and Restated Certificate of Incorporation of the Registrant. | 10-Q | 001-38434 | 3.2 | May 11, 2018 |
| 3.2 | Amended and Restated Bylaws of the Registrant. | 10-Q | 001-38434 | 3.3 | May 11, 2018 |
| 4.1 | Form of Class A common stock certificate of the Registrant. | S-1/A | 333-223182 | 4.1 | March 12, 2018 |
| 4.2 | Amended and Restated Investors' Rights Agreement among the Registrant and certain holders of its capital stock, dated as of January 30, 2014, as amended. | S-1 | 333-223182 | 4.2 | February 23, 2018 |
| 4.3 | Amendment No. 2 to the Amended and Restated Investors' Rights Agreement among the Registrant and certain holders of its capital stock, dated as of March 27, 2018. | 10-Q | 001-38434 | 4.3 | May 11, 2018 |
| 4.4 | Description of Capital Stock | 10-Q | 001-38434 | 4.1 | August 7, 2020 |
| 10.1+ | Form of Indemnification Agreement between the Registrant and each of its directors and executive officers. | S-1 | 333-223182 | 10.1 | February 23, 2018 |
| 10.2*+ | Dropbox, Inc. 2018 Equity Incentive Plan and related form agreements. | | | | |
| 10.3+ | Dropbox, Inc. 2018 Employee Stock Purchase Plan and related form agreements. | S-1/A | 333-223182 | 10.3 | March 21, 2018 |
| 10.4+ | Dropbox, Inc. 2018 Class C Stock Incentive Plan and related form agreements. | S-1/A | 333-223182 | 10.4 | March 21, 2018 |
| 10.5+ | Dropbox, Inc. 2018 Class C Employee Stock Purchase Plan and related form agreements. | S-1/A | 333-223182 | 10.5 | March 21, 2018 |
| 10.6+ | Dropbox, Inc. 2017 Equity Incentive Plan and related form agreements. | S-1/A | 333-223182 | 10.6 | March 21, 2018 |
| 10.7+ | Dropbox, Inc. 2008 Equity Incentive Plan, as amended, and related form agreements. | S-1/A | 333-223182 | 10.7 | March 21, 2018 |
| 10.8*+ | Dropbox, Inc. Amended and Restated Cash Bonus Plan. | | | | |
| 10.9+ | Restricted Stock Agreement between the Registrant and Andrew W. Houston. | S-1 | 333-223182 | 10.9 | February 23, 2018 |
| 10.10+ | Form of Change in Control and Severance Agreement between the Registrant and certain executive officers. | 10-K | 001-38434 | 10.11 | February 21, 2020 |

| | Form | File Number | Exhibit | Filed with SEC |
|---------|--|--------------------|----------------|----------------------------|
| 10.11+ | Employment Letter between the Registrant and Andrew W. Houston. | S-1/A | 333-223182 | 10.12 March 12, 2018 |
| 10.12+ | Form of Restricted Stock Agreement between the Registrant and certain executive officers. | 10-K | 001-38434 | 10.14 February 21, 2020 |
| 10.13+ | Employment Letter between the Registrant and Timothy Young. | 10-K | 001-38434 | 10.17 February 21, 2020 |
| 10.14+ | Offer Letter between the Registrant and Timothy Regan | 10-Q | 001-38434 | 10.1 August 7, 2020 |
| 10.15+ | Offer Letter between the Registrant and Timothy Young | 10-Q | 001-38434 | 10.1 November 6, 2020 |
| 10.16*+ | Restricted Stock Agreement between the Registrant and Timothy Young | | | |
| 10.17 | Office Lease between the Registrant and KR Mission Bay, LLC, dated as of October 6, 2017. | S-1 | 333-223182 | 10.19 February 23, 2018 |
| 10.18 | Second Amendment to Office Lease between Dropbox, Inc. and KR Mission Bay, LLC, dated as of May 25, 2018. | 10-Q | 001-38434 | 10.2 August 10, 2018 |
| 10.19 | Second Amendment and Restatement to the Revolving Credit and Guaranty Agreement among the Registrant, the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent, dated as of April 3, 2017. | S-1 | 333-223182 | 10.20 February 23, 2018 |
| 10.20 | Incremental Facility and Amendment Agreement among the Registrant, the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent, dated as of February 9, 2018. | S-1 | 333-223182 | 10.21 February 23, 2018 |
| 10.21+ | Dropbox, Inc. Outside Director Compensation Policy and related form agreements. | 10-K | 001-38434 | 10.22 February 21, 2020 |
| 21.1* | List of subsidiaries of the Registrant. | | | |
| 23.1* | Consent of Independent Registered Public Accounting Firm. | | | |
| 24.1* | Power of Attorney (included in signature pages hereto). | | | |
| 31.1* | Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | |
| 31.2* | Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | |

| | Form | File Number | Exhibit | Filed with SEC |
|-------|-------------|--------------------|----------------|---|
| 32.1† | | | | Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101. | | | | The following financial statements from the Company's Annual Report on Form 10-K for the quarter ended December 31, 2019, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statement of Operations, (iii) Condensed Consolidated Statements of Comprehensive Loss, (iv) Condensed Consolidated Statement of Cash Flows, (v) Condensed Consolidated Statements of Stockholders' Equity, and (vi) Notes to Condensed Consolidated Financial Statements. |
| 104. | | | | Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101) |

* Filed herewith.

+ Indicates management contract or compensatory plan.

† The certifications attached as Exhibit 32.1 that accompany this Annual Report on Form 10-K are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Dropbox, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Annual Report on Form 10-K, irrespective of any general incorporation language contained in such filing.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in San Francisco, California, on February 19, 2021.

DROPBOX, INC.

By: /s/ Andrew W. Houston
Andrew W. Houston
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Andrew W. Houston and Timothy J. Regan, and each of them, as his or her true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, for such individual in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or the individual's substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed by the following persons on behalf of the Company and in the capacities and on the dates indicated.

| <u>Signature</u> | <u>Title</u> | <u>Date</u> |
|---|---|-------------------|
| /s/ Andrew W. Houston Andrew W. Houston | Chief Executive Officer and Chairman (Principal Executive Officer) | February 19, 2021 |
| /s/ Timothy J. Regan Timothy J. Regan | Chief Financial Officer (Principal Accounting and Financial Officer) | February 19, 2021 |
| /s/ Donald W. Blair Donald W. Blair | Director | February 19, 2021 |
| /s/ Lisa Campbell Lisa Campbell | Director | February 19, 2021 |
| /s/ Paul E. Jacobs Paul E. Jacobs | Director | February 19, 2021 |
| /s/ Robert J. Mylod Jr. Robert J. Mylod, Jr. | Director | February 19, 2021 |
| /s/ Karen A. Peacock Karen A. Peacock | Director | February 19, 2021 |
| /s/ Condoleezza Rice Condoleezza Rice | Director | February 19, 2021 |
| /s/ Michael Seibel Michael Seibel | Director | February 19, 2021 |

DROPOX, INC.

2018 EQUITY INCENTIVE PLAN

1. Purposes of the Plan. The purposes of this Plan are:

- to attract and retain the best available personnel for positions of substantial responsibility,
- to provide additional incentive to Employees, Directors and Consultants, and
- to promote the success of the Company's business.

The Plan permits the grant of Incentive Stock Options, Nonstatutory Stock Options, Restricted Stock, Restricted Stock Units, Stock Appreciation Rights, Performance Units and Performance Shares.

2. Definitions. As used herein, the following definitions will apply:

- a. "Administrator" means the Board or any of its Committees as will be administering the Plan, in accordance with Section 4 of the Plan.
- b. "Applicable Laws" means the legal and regulatory requirements relating to the administration of equity-based awards and the related issuance of Shares thereunder, including but not limited to U.S. federal and state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any non-U.S. country or jurisdiction where Awards are, or will be, granted under the Plan.
- c. "Award" means, individually or collectively, a grant under the Plan of Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Units or Performance Shares.
- d. "Award Agreement" means the written or electronic agreement setting forth the terms and provisions applicable to each Award granted under the Plan. The Award Agreement is subject to the terms and conditions of the Plan.
- e. "Board" means the Board of Directors of the Company.
- f. "Change in Control" means the occurrence of any of the following events:
 - i. A change in the ownership of the Company which occurs on the date that any one person, or more than one person acting as a group ("Person"), acquires ownership of the stock of the Company that, together with the stock held by such Person, constitutes more than fifty percent (50%) of the

total voting power of the stock of the Company; provided, however, that for purposes of this subsection, (A) the acquisition of additional stock by any one Person, who is considered to own more than fifty percent (50%) of the total voting power of the stock of the Company will not be considered a Change in Control, and (B) if the stockholders of the Company immediately before such change in ownership continue to retain immediately after the change in ownership, in substantially the same proportions as their ownership of shares of the Company's voting stock immediately prior to the change in ownership, the direct or indirect beneficial ownership of fifty percent (50%) or more of the total voting power of the stock of the Company or of the ultimate parent entity of the Company, such event will not be considered a Change in Control under this subsection (i). For this purpose, indirect beneficial ownership will include, without limitation, an interest resulting from ownership of the voting securities of one or more corporations or other business entities which own the Company, as the case may be, either directly or through one or more subsidiary corporations or other business entities; or

- ii. A change in the effective control of the Company which occurs on the date that a majority of members of the Board is replaced during any twelve (12)-month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purposes of this subsection (ii), if any Person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a Change in Control;
- iii. A change in the ownership of a substantial portion of the Company's assets which occurs on the date that any Person acquires (or has acquired during the twelve (12)-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than fifty percent (50%) of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions; provided, however, that for purposes of this subsection (iii), the following will not constitute a change in the ownership of a substantial portion of the Company's assets: (A) a transfer to an entity that is controlled by the Company's stockholders immediately after the transfer, or (B) a transfer of assets by the Company to: (1) a stockholder of the Company (immediately before the asset transfer) in exchange for or with respect to the Company's stock, (2) an entity, fifty percent (50%) or more of the total value or voting power of which is owned, directly or indirectly, by the Company, (3) a Person, that owns, directly or indirectly, fifty percent (50%) or more of the total value or voting power of all the outstanding stock of the Company, or (4) an entity, at least fifty percent (50%) of the total value or voting power of which is owned, directly or indirectly, by a Person described in this subsection (iii)(B)(3). For purposes of this subsection (iii), gross fair

market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

For purposes of this definition, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company.

Notwithstanding the foregoing, a transaction will not be deemed a Change in Control unless the transaction qualifies as a change in control event within the meaning of Section 409A.

Further and for the avoidance of doubt, a transaction will not constitute a Change in Control if: (i) its sole purpose is to change the state of the Company's incorporation, or (ii) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

- g. "Code" means the Internal Revenue Code of 1986, as amended. Reference to a specific section of the Code or regulation thereunder will include such section or regulation, any valid regulation promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.
- h. "Committee" means a committee of Directors or of other individuals satisfying Applicable Laws appointed by the Board, or a duly authorized committee of the Board, in accordance with Section 4 hereof.
- i. "Common Stock" means the Class A common stock of the Company.
- j. "Company" means Dropbox, Inc., a Delaware corporation, or any successor thereto.
- k. "Consultant" means any natural person, including an advisor, engaged by the Company or a Parent or Subsidiary to render bona fide services to such entity, provided the services (i) are not in connection with the offer or sale of securities in a capital-raising transaction, and (ii) do not directly promote or maintain a market for the Company's securities, in each case, within the meaning of Form S-8 promulgated under the Securities Act, and provided, further, that a Consultant will include only those persons to whom the issuance of Shares may be registered under Form S-8 promulgated under the Securities Act.
- l. "Director" means a member of the Board.
- m. "Disability" means total and permanent disability as defined in Section 22(e)(3) of the Code, provided that in the case of Awards other than Incentive Stock Options, the Administrator in its discretion may determine whether a permanent and total

disability exists in accordance with uniform and non-discriminatory standards adopted by the Administrator from time to time.

- n. “Employee” means any person, including Officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director’s fee by the Company will be sufficient to constitute “employment” by the Company.
- o. “Exchange Act” means the Securities Exchange Act of 1934, as amended.
- p. “Exchange Program” means a program under which (i) outstanding Awards are surrendered or cancelled in exchange for awards of the same type (which may have higher or lower exercise prices and different terms), awards of a different type, and/or cash, (ii) Participants would have the opportunity to transfer any outstanding Awards to a financial institution or other person or entity selected by the Administrator, and/or (iii) the exercise price of an outstanding Award is increased or reduced. The Administrator will determine the terms and conditions of any Exchange Program in its sole discretion.
- q. “Fair Market Value” means, as of any date, the value of Common Stock determined as follows:
 - i. For purposes of any Awards granted on the Registration Date, the Fair Market Value will be the initial price to the public as set forth in the final prospectus included within the registration statement in Form S-1 filed with the Securities and Exchange Commission for the initial public offering of the Company’s Common Stock.
 - ii. For purposes of any Awards granted on any other date, the Fair Market Value will be the closing sales price for Common Stock as quoted on any established stock exchange or national market system (including without limitation the New York Stock Exchange, NASDAQ Global Select Market, the NASDAQ Global Market or the NASDAQ Capital Market of The NASDAQ Stock Market) on which the Common Stock is listed on the date of determination (or the closing bid, if no sales were reported), as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable. If the determination date for the Fair Market Value occurs on a non-trading day (i.e., a weekend or holiday), the Fair Market Value will be such price on the immediately preceding trading day, unless otherwise determined by the Administrator. In the absence of an established market for the Common Stock, the Fair Market Value thereof will be determined in good faith by the Administrator.

The determination of fair market value for purposes of tax withholding may be made in the Administrator’s discretion subject to Applicable Laws and is not required to be consistent with the determination of Fair Market Value for other purposes.

- r. "Fiscal Year" means the fiscal year of the Company.
- s. "Incentive Stock Option" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.
- t. "Inside Director" means a Director who is an Employee.
- u. "Nonstatutory Stock Option" means an Option that by its terms does not qualify or is not intended to qualify as an Incentive Stock Option.
- v. "Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.
- w. "Option" means a stock option granted pursuant to the Plan.
- x. "Outside Director" means a Director who is not an Employee.
- y. "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.
- z. "Participant" means the holder of an outstanding Award.
- aa. "Performance Share" means an Award denominated in Shares which may be earned in whole or in part upon attainment of performance goals or other vesting criteria as the Administrator may determine pursuant to Section 10.
- ab. "Performance Unit" means an Award which may be earned in whole or in part upon attainment of performance goals or other vesting criteria as the Administrator may determine and which may be settled for cash, Shares or other securities or a combination of the foregoing pursuant to Section 10.
- ac. "Period of Restriction" means the period during which the transfer of Shares of Restricted Stock are subject to restrictions and therefore, the Shares are subject to a substantial risk of forfeiture. Such restrictions may be based on the passage of time, the achievement of target levels of performance, or the occurrence of other events as determined by the Administrator.
- ad. "Plan" means this 2018 Equity Incentive Plan.
- ae. "Registration Date" means the effective date of the first registration statement that is filed by the Company and declared effective pursuant to Section 12(b) of the Exchange Act, with respect to any class of the Company's securities.

- af. “Restricted Stock” means Shares issued pursuant to a Restricted Stock award under Section 7 of the Plan, or issued pursuant to the early exercise of an Option.
- ag. “Restricted Stock Unit” means a bookkeeping entry representing an amount equal to the Fair Market Value of one Share, granted pursuant to Section 8. Each Restricted Stock Unit represents an unfunded and unsecured obligation of the Company.
- ah. “Rule 16b-3” means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.
- ai. “Section 16(b)” means Section 16(b) of the Exchange Act.
- aj. “Section 409A” means Code Section 409A, as it has been and may be amended from time to time, and any proposed or final Treasury Regulations and Internal Revenue Service guidance that has been promulgated or may be promulgated thereunder from time to time.
- ak. “Securities Act” means the Securities Act of 1933, as amended.
- al. “Service Provider” means an Employee, Director or Consultant.
- am. “Share” means a share of the Common Stock, as adjusted in accordance with Section 14 of the Plan.
- an. “Stock Appreciation Right” means an Award, granted alone or in connection with an Option, that pursuant to Section 9 is designated as a Stock Appreciation Right.
- ao. “Subsidiary” means a “subsidiary corporation,” whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Stock Subject to the Plan.

- a. Stock Subject to the Plan. Subject to the provisions of Section 14 of the Plan and the automatic increase set forth in Section 3(b) of the Plan, the maximum aggregate number of Shares that may be issued under the Plan is 41,368,326 Shares, plus (i) any Shares that, as of the Registration Date, have been reserved but not issued pursuant to any awards granted under the Company’s 2017 Equity Incentive Plan (the “2017 Plan”) and are not subject to any awards granted thereunder, (ii) any Shares subject to stock options, restricted stock units, or similar awards granted under the 2017 Plan that, on or after the Registration Date, expire or otherwise terminate without having been exercised in full, are tendered to or withheld by the Company for payment of an exercise price or for tax withholding obligations, or are forfeited to or repurchased by the Company due to failure to vest, and (iii) a number of Shares equal to the shares of the Company’s Class B common stock subject to stock options, restricted stock units, or similar awards granted under the Company’s 2008 Equity Incentive Plan (the “2008

Plan”) that, on or after the Registration Date, expire or otherwise terminate without having been exercised in full, are tendered to or withheld by the Company for payment of an exercise price or for tax withholding obligations (including, for the avoidance of doubt, shares withheld on or after the Registration Date to satisfy tax withholding obligations with respect to restricted stock units vesting on the Registration Date), or are forfeited to or repurchased by the Company due to failure to vest, with the maximum number of Shares to be added to the Plan pursuant to clauses (i) through (iii) equal to 68,824,856 Shares. The Shares may be authorized, but unissued, or reacquired Common Stock.

- b. Automatic Share Reserve Increase. Subject to the provisions of Section 14 of the Plan, the number of Shares available for issuance under the Plan will be increased on the first day of each Fiscal Year beginning with the 2019 Fiscal Year, in an amount equal to the least of (i) 41,368,326 Shares, (ii) five percent (5%) of the outstanding shares of all classes of the Company’s common stock on the last day of the immediately preceding Fiscal Year or (iii) such number of Shares determined by the Board.
- c. Lapsed Awards. If an Award expires or becomes unexercisable without having been exercised in full, is surrendered pursuant to an Exchange Program, or, with respect to Restricted Stock, Restricted Stock Units, Performance Units or Performance Shares, is forfeited to or repurchased by the Company due to failure to vest, the unpurchased Shares (or for Awards other than Options or Stock Appreciation Rights the forfeited or repurchased Shares), which were subject thereto will become available for future grant or sale under the Plan (unless the Plan has terminated). With respect to Stock Appreciation Rights, only Shares actually issued (i.e., the net Shares issued) pursuant to a Stock Appreciation Right will cease to be available under the Plan; all remaining Shares under Stock Appreciation Rights will remain available for future grant or sale under the Plan (unless the Plan has terminated). Shares that have actually been issued under the Plan under any Award will not be returned to the Plan and will not become available for future distribution under the Plan; provided, however, that if Shares issued pursuant to Awards of Restricted Stock, Restricted Stock Units, Performance Shares or Performance Units are repurchased by the Company or are forfeited to the Company, such Shares will become available for future grant under the Plan. Shares used to pay the exercise price of an Award or to satisfy the tax withholding obligations related to an Award will become available for future grant or sale under the Plan. To the extent an Award under the Plan is paid out in cash rather than Shares, such cash payment will not result in reducing the number of Shares available for issuance under the Plan. Notwithstanding the foregoing and, subject to adjustment as provided in Section 14, the maximum number of Shares that may be issued upon the exercise of Incentive Stock Options will equal the aggregate Share number stated in Section 3(a), plus, to the extent allowable under Section 422 of the Code and the Treasury Regulations promulgated thereunder, any Shares that become available for issuance under the Plan pursuant to Sections 3(b) and 3(c).

- d. Share Reserve. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of the Plan.

4. Administration of the Plan.

a. Procedure.

- i. Multiple Administrative Bodies. Different Committees with respect to different groups of Service Providers may administer the Plan.
- ii. Rule 16b-3. To the extent desirable to qualify transactions hereunder as exempt under Rule 16b-3, the transactions contemplated hereunder will be structured to satisfy the requirements for exemption under Rule 16b-3.
- iii. Other Administration. Other than as provided above, the Plan will be administered by (A) the Board or (B) a Committee, which committee will be constituted to satisfy Applicable Laws.

b. Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator will have the authority, in its discretion:

- i. to determine the Fair Market Value;
- ii. to select the Service Providers to whom Awards may be granted hereunder;
- iii. to determine the number of Shares to be covered by each Award granted hereunder;
- iv. to approve forms of Award Agreements for use under the Plan;
- v. to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Awards may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Award or the Shares relating thereto, based in each case on such factors as the Administrator will determine;
- vi. to institute and determine the terms and conditions of an Exchange Program;
- vii. to construe and interpret the terms of the Plan and Awards granted pursuant to the Plan;

- viii. to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of satisfying applicable non-U.S. laws or for qualifying for favorable tax treatment under applicable non-U.S. laws;
- ix. to modify or amend each Award (subject to Section 19 of the Plan), including but not limited to the discretionary authority to extend the post-termination exercisability period of Awards and to extend the maximum term of an Option (subject to Section 6(b) of the Plan regarding Incentive Stock Options);
- x. to allow Participants to satisfy tax withholding obligations in such manner as prescribed in Section 15 of the Plan;
- xi. to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously granted by the Administrator;
- xii. to allow a Participant to defer the receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Participant under an Award; and
- xiii. to make all other determinations deemed necessary or advisable for administering the Plan.

c. Effect of Administrator's Decision. The Administrator's decisions, determinations and interpretations will be final and binding on all Participants and any other holders of Awards.

5. Eligibility. Nonstatutory Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares and Performance Units may be granted to Service Providers. Incentive Stock Options may be granted only to Employees.

6. Stock Options.

a. Limitations. Each Option will be designated in the Award Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, to the extent that the aggregate fair market value of the shares with respect to which incentive stock options are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds one hundred thousand dollars (\$100,000), such options will be treated as nonstatutory stock options. For purposes of this Section 6(a), incentive stock options will be taken into account in the order in which they were granted. The fair market value of the shares will be determined as of the time the option with respect to such shares is granted.

- b. Term of Option. The term of each Option will be stated in the Award Agreement. In the case of an Incentive Stock Option, the term will be ten (10) years from the date of grant or such shorter term as may be provided in the Award Agreement. Moreover, in the case of an Incentive Stock Option granted to a Participant who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock Option will be five (5) years from the date of grant or such shorter term as may be provided in the Award Agreement.
- c. Option Exercise Price and Consideration.
- i. Exercise Price. The per share exercise price for the Shares to be issued pursuant to exercise of an Option will be determined by the Administrator, subject to the following:
1. In the case of an Incentive Stock Option
 - a. granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price will be no less than one hundred ten percent (110%) of the Fair Market Value per Share on the date of grant.
 - b. granted to any Employee other than an Employee described in paragraph (A) immediately above, the per Share exercise price will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.
 2. In the case of a Nonstatutory Stock Option, the per Share exercise price will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.
 3. Notwithstanding the foregoing, Options may be granted with a per Share exercise price of less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant pursuant to a transaction described in, and in a manner consistent with, Section 424(a) of the Code.
- ii. Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator will fix the period within which the Option may be exercised and will determine any conditions that must be satisfied before the Option may be exercised.

- iii. Form of Consideration. The Administrator will determine the acceptable form of consideration for exercising an Option, including the method of payment. In the case of an Incentive Stock Option, the Administrator will determine the acceptable form of consideration at the time of grant. Such consideration may consist entirely of: (1) cash; (2) check; (3) promissory note, to the extent permitted by Applicable Laws, (4) other Shares, provided that such Shares have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which such Option will be exercised and provided that accepting such Shares will not result in any adverse accounting consequences to the Company, as the Administrator determines in its sole discretion; (5) consideration received by the Company under a broker-assisted (or other) cashless exercise program (whether through a broker or otherwise) implemented by the Company in connection with the Plan; (6) by net exercise; (7) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws; or (8) any combination of the foregoing methods of payment.

d. Exercise of Option.

- i. Procedure for Exercise; Rights as a Stockholder. Any Option granted hereunder will be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Award Agreement. An Option may not be exercised for a fraction of a Share.

An Option will be deemed exercised when the Company receives: (i) a notice of exercise (in such form as the Administrator may specify from time to time) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised (together with applicable withholding taxes). Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Award Agreement and the Plan. Shares issued upon exercise of an Option will be issued in the name of the Participant or, if requested by the Participant, in the name of the Participant and his or her spouse. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder will exist with respect to the Shares subject to an Option, notwithstanding the exercise of the Option. The Company will issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 14 of the Plan.

Exercising an Option in any manner will decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

- ii. Termination of Relationship as a Service Provider. If a Participant ceases to be a Service Provider, other than upon the Participant's termination as the result of the Participant's death or Disability, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement to the extent that the Option is vested on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable for three (3) months following the Participant's termination. Unless otherwise provided by the Administrator, if on the date of termination the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will revert to the Plan. If after termination the Participant does not exercise his or her Option within the time specified by the Administrator, the Option will terminate, and the Shares covered by such Option will revert to the Plan.
- iii. Disability of Participant. If a Participant ceases to be a Service Provider as a result of the Participant's Disability, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement to the extent the Option is vested on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable for twelve (12) months following the Participant's termination. Unless otherwise provided by the Administrator, if on the date of termination the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will revert to the Plan. If after termination the Participant does not exercise his or her Option within the time specified herein, the Option will terminate, and the Shares covered by such Option will revert to the Plan.
- iv. Death of Participant. If a Participant dies while a Service Provider, the Option may be exercised following the Participant's death within such period of time as is specified in the Award Agreement to the extent that the Option is vested on the date of death (but in no event may the option be exercised later than the expiration of the term of such Option as set forth in the Award Agreement), by the Participant's designated beneficiary, provided such beneficiary has been designated prior to Participant's death in a form acceptable to the Administrator. If no such beneficiary has been designated by the Participant, then such Option may be exercised by the personal representative of the Participant's estate or by the person(s) to whom the Option is transferred pursuant to the Participant's will or in accordance with the laws of descent and distribution. In the absence of a specified time in the Award Agreement, the Option will remain exercisable for twelve (12) months following Participant's death. Unless otherwise provided by the Administrator, if at the time of death Participant is not vested as to his or her entire Option, the

Shares covered by the unvested portion of the Option will immediately revert to the Plan. If the Option is not so exercised within the time specified herein, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

- v. Tolling Expiration. A Participant's Award Agreement may also provide that:
 - 1. if the exercise of the Option following the termination of Participant's status as a Service Provider (other than upon the Participant's death or Disability) would result in liability under Section 16(b), then the Option will terminate on the earlier of (A) the expiration of the term of the Option set forth in the Award Agreement, or (B) the tenth (10th) day after the last date on which such exercise would result in liability under Section 16(b); or
 - 2. if the exercise of the Option following the termination of the Participant's status as a Service Provider (other than upon the Participant's death or Disability) would be prohibited at any time solely because the issuance of Shares would violate the registration requirements under the Securities Act, then the Option will terminate on the earlier of (A) the expiration of the term of the Option or (B) the expiration of a period of thirty (30)-day period after the termination of the Participant's status as a Service Provider during which the exercise of the Option would not be in violation of such registration requirements.

7. Restricted Stock.

- a. Grant of Restricted Stock. Subject to the terms and provisions of the Plan, the Administrator, at any time and from time to time, may grant Shares of Restricted Stock to Service Providers in such amounts as the Administrator, in its sole discretion, will determine.
- b. Restricted Stock Agreement. Each Award of Restricted Stock will be evidenced by an Award Agreement that will specify the Period of Restriction, the number of Shares granted, and such other terms and conditions as the Administrator, in its sole discretion, will determine. Unless the Administrator determines otherwise, the Company as escrow agent will hold Shares of Restricted Stock until the restrictions on such Shares have lapsed.
- c. Transferability. Except as provided in this Section 7 or the Award Agreement, Shares of Restricted Stock may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction.
- d. Other Restrictions. The Administrator, in its sole discretion, may impose such other restrictions on Shares of Restricted Stock as it may deem advisable or appropriate.

- e. Removal of Restrictions. Except as otherwise provided in this Section 7, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan will be released from escrow as soon as practicable after the last day of the Period of Restriction or at such other time as the Administrator may determine. The Administrator, in its discretion, may accelerate the time at which any restrictions will lapse or be removed.
- f. Voting Rights. During the Period of Restriction, Service Providers holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares, unless the Administrator determines otherwise.
- g. Dividends and Other Distributions. During the Period of Restriction, Service Providers holding Shares of Restricted Stock will be entitled to receive all dividends and other distributions paid with respect to such Shares, unless the Administrator provides otherwise. If any such dividends or distributions are paid in Shares, the Shares will be subject to the same restrictions on transferability and forfeitability as the Shares of Restricted Stock with respect to which they were paid.
- h. Return of Restricted Stock to Company. On the date set forth in the Award Agreement, the Restricted Stock for which restrictions have not lapsed will revert to the Company and again will become available for grant under the Plan.

8. Restricted Stock Units.

- a. Grant. Restricted Stock Units may be granted at any time and from time to time as determined by the Administrator. After the Administrator determines that it will grant Restricted Stock Units under the Plan, it will advise the Participant in an Award Agreement of the terms, conditions, and restrictions related to the grant, including the number of Restricted Stock Units.
- b. Vesting Criteria and Other Terms. The Administrator will set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of Restricted Stock Units that will be paid out to the Participant. The Administrator may set vesting criteria based upon the achievement of Company-wide, divisional, business unit, or individual goals (including, but not limited to, continued employment or service), applicable federal or state securities laws or any other basis determined by the Administrator in its discretion.
- c. Earning Restricted Stock Units. Upon meeting the applicable vesting criteria, the Participant will be entitled to receive a payout as determined by the Administrator. Notwithstanding the foregoing, at any time after the grant of Restricted Stock Units, the Administrator, in its sole discretion, may reduce or waive any vesting criteria that must be met to receive a payout.

- d. Form and Timing of Payment. Payment of earned Restricted Stock Units will be made as soon as practicable after the date(s) determined by the Administrator and set forth in the Award Agreement. The Administrator, in its sole discretion, may only settle earned Restricted Stock Units in cash, Shares, or a combination of both.
- e. Cancellation. On the date set forth in the Award Agreement, all unearned Restricted Stock Units will be forfeited to the Company.

9. Stock Appreciation Rights.

- a. Grant of Stock Appreciation Rights. Subject to the terms and conditions of the Plan, a Stock Appreciation Right may be granted to Service Providers at any time and from time to time as will be determined by the Administrator, in its sole discretion.
- b. Number of Shares. The Administrator will have complete discretion to determine the number of Stock Appreciation Rights granted to any Service Provider.
- c. Exercise Price and Other Terms. The per share exercise price for the Shares to be issued pursuant to exercise of a Stock Appreciation Right will be determined by the Administrator and will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant. Otherwise, the Administrator, subject to the provisions of the Plan, will have complete discretion to determine the terms and conditions of Stock Appreciation Rights granted under the Plan.
- d. Stock Appreciation Right Agreement. Each Stock Appreciation Right grant will be evidenced by an Award Agreement that will specify the exercise price, the term of the Stock Appreciation Right, the conditions of exercise, and such other terms and conditions as the Administrator, in its sole discretion, will determine.
- e. Expiration of Stock Appreciation Rights. A Stock Appreciation Right granted under the Plan will expire ten (10) years from the date of grant or such shorter term as may be provided in the Award Agreement, as determined by the Administrator, in its sole discretion. Notwithstanding the foregoing, the rules of Section 6(d) relating to exercise also will apply to Stock Appreciation Rights.
- f. Payment of Stock Appreciation Right Amount. Upon exercise of a Stock Appreciation Right, a Participant will be entitled to receive payment from the Company in an amount determined by multiplying:
 - i. The difference between the Fair Market Value of a Share on the date of exercise over the exercise price; times
 - ii. The number of Shares with respect to which the Stock Appreciation Right is exercised.

At the discretion of the Administrator, the payment upon Stock Appreciation Right exercise may be in cash, in Shares of equivalent value, or in some combination thereof.

10. Performance Units and Performance Shares.

- a. Grant of Performance Units/Shares. Performance Units and Performance Shares may be granted to Service Providers at any time and from time to time, as will be determined by the Administrator, in its sole discretion. The Administrator will have complete discretion in determining the number of Performance Units and Performance Shares granted to each Participant.
- b. Value of Performance Units/Shares. Each Performance Unit will have an initial value that is established by the Administrator on or before the date of grant. Each Performance Share will have an initial value equal to the Fair Market Value of a Share on the date of grant.
- c. Performance Objectives and Other Terms. The Administrator will set performance objectives or other vesting provisions (including, without limitation, continued status as a Service Provider) in its discretion which, depending on the extent to which they are met, will determine the number or value of Performance Units/Shares that will be paid out to the Service Providers. The time period during which the performance objectives or other vesting provisions must be met will be called the "Performance Period." Each Award of Performance Units/Shares will be evidenced by an Award Agreement that will specify the Performance Period, and such other terms and conditions as the Administrator, in its sole discretion, will determine. The Administrator may set performance objectives based upon the achievement of Company-wide, divisional, business unit or individual goals (including, but not limited to, continued employment or service), applicable federal or state securities laws, or any other basis determined by the Administrator in its discretion.
- d. Earning of Performance Units/Shares. After the applicable Performance Period has ended, the holder of Performance Units/Shares will be entitled to receive a payout of the number of Performance Units/Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance objectives or other vesting provisions have been achieved. After the grant of a Performance Unit/Share, the Administrator, in its sole discretion, may reduce or waive any performance objectives or other vesting provisions for such Performance Unit/Share.
- e. Form and Timing of Payment of Performance Units/Shares. Payment of earned Performance Units/Shares will be made as soon as practicable after the expiration of the applicable Performance Period. The Administrator, in its sole discretion, may pay earned Performance Units/Shares in the form of cash, in Shares (which have an aggregate Fair Market Value equal to the value of the earned Performance Units/Shares at the close of the applicable Performance Period) or in a combination thereof.

f. Cancellation of Performance Units/Shares. On the date set forth in the Award Agreement, all unearned or unvested Performance Units/Shares will be forfeited to the Company, and again will be available for grant under the Plan.

11. Outside Director Limitations. No Outside Director may be paid, issued or granted, in any Fiscal Year, cash compensation and equity awards (including any Awards issued under this Plan) with an aggregate value greater than \$1,200,000 (with the value of each equity award based on its grant date fair value (determined in accordance with U.S. generally accepted accounting principles)). Any cash compensation paid or Awards granted to an individual for his or her services as an Employee, or for his or her services as a Consultant (other than as an Outside Director), will not count for purposes of the limitation under this Section 11.
12. Leaves of Absence/Transfer Between Locations. Unless the Administrator provides otherwise, vesting of Awards granted hereunder will be suspended during any unpaid leave of absence. A Participant will not cease to be an Employee in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, or any Subsidiary. For purposes of Incentive Stock Options, no such leave may exceed three (3) months, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, then six (6) months following the first (1st) day of such leave any Incentive Stock Option held by the Participant will cease to be treated as an Incentive Stock Option and will be treated for tax purposes as a Nonstatutory Stock Option.
13. Transferability of Awards. Unless determined otherwise by the Administrator, an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Participant, only by the Participant. If the Administrator makes an Award transferable, such Award will contain such additional terms and conditions as the Administrator deems appropriate.
14. Adjustments; Dissolution or Liquidation; Merger or Change in Control.
 - a. Adjustments. In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares occurs, the Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the Plan, will adjust the number and class of Shares that may be delivered under the Plan and/or the number, class, and price of Shares covered by each outstanding Award, and the numerical Share limits in Section 3 of the Plan.
 - b. Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator will notify each Participant as soon as

practicable prior to the effective date of such proposed transaction. To the extent it has not been previously exercised, an Award will terminate immediately prior to the consummation of such proposed action.

- c. Change in Control. In the event of a merger of the Company with or into another corporation or other entity or a Change in Control, each outstanding Award will be treated as the Administrator determines subject to the restriction in the following paragraph, including, without limitation, that each Award be assumed or an equivalent option or right substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. The Administrator will not be required to treat all Awards or Participants similarly in the transaction.

In the event that the successor corporation does not assume or substitute for the Award, the Participant will fully vest in and have the right to exercise all of his or her outstanding Options and Stock Appreciation Rights, including Shares as to which such Awards would not otherwise be vested or exercisable, all restrictions on Restricted Stock and Restricted Stock Units will lapse, and, with respect to Awards with performance-based vesting, unless specifically provided otherwise under the applicable Award Agreement, a Company policy applicable to the Participant, or other written agreement between the Participant and the Company, all performance goals or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels and all other terms and conditions met. In addition, if an Option or Stock Appreciation Right is not assumed or substituted in the event of a Change in Control, the Administrator will notify the Participant in writing or electronically that the Option or Stock Appreciation Right will be exercisable for a period of time determined by the Administrator in its sole discretion, and the Option or Stock Appreciation Right will terminate upon the expiration of such period.

For the purposes of this subsection (c), an Award will be considered assumed if, following the Change in Control, the Award confers the right to purchase or receive, for each Share subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash, or other securities or property) received in the Change in Control by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the Change in Control is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of an Option or Stock Appreciation Right or upon the payout of a Restricted Stock Unit, Performance Unit or Performance Share, for each Share subject to such Award, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the Change in Control.

Notwithstanding anything in this Section 14(c) to the contrary, an Award that vests, is earned or paid-out upon the satisfaction of one or more performance goals will not be considered assumed if the Company or its successor modifies any of such performance goals without the Participant's consent; provided, however, a modification to such performance goals

only to reflect the successor corporation's post-Change in Control corporate structure will not be deemed to invalidate an otherwise valid Award assumption.

- d. Outside Director Awards. With respect to Awards granted to an Outside Director, in the event of a Change in Control in which such Awards are assumed or substituted for, if on the date of or following such assumption or substitution the Participant's status as a Director or a director of the successor corporation, as applicable, is terminated other than upon a voluntary resignation by the Participant (unless such resignation is at the request of the acquirer), then the Participant will fully vest in and have the right to exercise Options and/or Stock Appreciation Rights as to all of the Shares underlying such Award, including those Shares which would not otherwise be vested or exercisable, all restrictions on Restricted Stock and Restricted Stock Units will lapse, and, with respect to Awards with performance-based vesting, unless specifically provided otherwise under the applicable Award Agreement, a Company policy applicable to the Participant, or other written agreement between the Participant and the Company, all performance goals or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels and all other terms and conditions met.

15. Tax.

- a. Withholding Requirements. Prior to the delivery of any Shares or cash pursuant to an Award (or exercise thereof) or such earlier time as any tax withholding obligations are due, the Company will have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy U.S. federal, state, or local taxes, non-U.S. taxes, or other taxes (including the Participant's FICA obligation) required to be withheld with respect to such Award (or exercise thereof).
- b. Withholding Arrangements. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit a Participant to satisfy such tax withholding obligation, in whole or in part by (without limitation) (i) paying cash, (ii) electing to have the Company withhold otherwise deliverable cash or Shares having a fair market value not in excess of the maximum statutory amount required to be withheld, or (iii) delivering to the Company already-owned Shares having a fair market value not in excess of the maximum statutory amount required to be withheld. The fair market value of the Shares to be withheld or delivered will be determined as of the date that the taxes are required to be withheld.
- c. Compliance With Section 409A. Awards will be designed and operated in such a manner that they are either exempt from the application of, or comply with, the requirements of Section 409A such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Section 409A, except as otherwise determined in the sole discretion of the Administrator. The Plan and each Award Agreement under the Plan is intended to meet the requirements of Section 409A and will be construed and interpreted in accordance with such intent, except as otherwise determined in the sole discretion of the

Administrator. To the extent that an Award or payment, or the settlement or deferral thereof, is subject to Section 409A the Award will be granted, paid, settled or deferred in a manner that will meet the requirements of Section 409A, such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Section 409A. In no event will the Company (or any Parent or Subsidiary of the Company, as applicable) reimburse a Participant for any taxes imposed or other costs incurred as a result of Section 409A.

16. No Effect on Employment or Service. Neither the Plan nor any Award will confer upon a Participant any right with respect to continuing the Participant's relationship as a Service Provider, nor will they interfere in any way with the Participant's right or the right of the Company (or any Parent or Subsidiary of the Company) to terminate such relationship at any time, with or without cause, to the extent permitted by Applicable Laws.
17. Date of Grant. The date of grant of an Award will be, for all purposes, the date on which the Administrator makes the determination granting such Award, or such other later date as is determined by the Administrator. Notice of the determination will be provided to each Participant within a reasonable time after the date of such grant.
18. Term of Plan. Subject to Section 23 of the Plan, the Plan will become effective upon the later to occur of (i) its adoption by the Board or (ii) the business day immediately prior to the Registration Date. It will continue in effect for a term of ten (10) years from the date adopted by the Board, unless terminated earlier under Section 19 of the Plan.
19. Amendment and Termination of the Plan.
 - a. Amendment and Termination. The Administrator may at any time amend, alter, suspend or terminate the Plan.
 - b. Stockholder Approval. The Company will obtain stockholder approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws.
 - c. Effect of Amendment or Termination. No amendment, alteration, suspension or termination of the Plan will materially impair the rights of any Participant, unless mutually agreed otherwise between the Participant and the Administrator, which agreement must be in writing and signed by the Participant and the Company. Termination of the Plan will not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan prior to the date of such termination.
20. Conditions Upon Issuance of Shares.
 - a. Legal Compliance. Shares will not be issued pursuant to an Award unless the exercise of such Award and the issuance and delivery of such Shares will comply

with Applicable Laws and will be further subject to the approval of counsel for the Company with respect to such compliance.

- b. Investment Representations. As a condition to the exercise of an Award, the Company may require the person exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

21. Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction or to complete or comply with the requirements of any registration or other qualification of the Shares under any U.S. federal or state law, any non-U.S. law, or the rules and regulations of the Securities and Exchange Commission, the stock exchange on which Shares of the same class are then listed, or any other governmental or regulatory body, which authority, registration, qualification or rule compliance is deemed by the Company's counsel to be necessary or advisable for the issuance and sale of any Shares hereunder, will relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority, registration, qualification or rule compliance will not have been obtained.
22. Clawback. The Administrator may specify in an Award Agreement that the Participant's rights, payments, and/or benefits with respect to an Award will be subject to reduction, cancellation, forfeiture, and/or recoupment upon the occurrence of certain specified events, in addition to any applicable vesting, performance or other conditions and restrictions of an Award. Notwithstanding any provisions to the contrary under this Plan, an Award granted under the Plan shall be subject to the Company's clawback policy as may be established and/or amended from time to time. The Board may require a Participant to forfeit or return to and/or reimburse the Company all or a portion of the Award and/or Shares issued under the Award, any amounts paid under the Award, and any payments or proceeds paid or provided upon disposition of the Shares issued under the Award, pursuant to the terms of such Company policy or as necessary or appropriate to comply with Applicable Laws.
23. Stockholder Approval. The Plan will be subject to approval by the stockholders of the Company within twelve (12) months after the date the Plan is adopted by the Board. Such stockholder approval will be obtained in the manner and to the degree required under Applicable Laws.

DROPBOX, INC.
2018 EQUITY INCENTIVE PLAN
ISRAELI APPENDIX

This Israeli Appendix (the “**Appendix**”) to the 2018 Equity Incentive Plan (as amended from time to time, the “**Plan**”) of Dropbox, Inc. (the “**Company**”) is adopted pursuant to the authority granted under Section 4(b)(viii) of the Plan and shall apply only to persons who are, or are deemed to be, residents of the State of Israel for Israeli tax purposes, as further detailed below.

1. GENERAL

1.1. The Committee, in its discretion, may grant Awards to eligible Participants and shall determine the tax route under which such Awards are intended to be granted, provided only one type of trustee awards may be granted, subject to the provisions of the Ordinance and the Rules. Each Award shall be evidenced by an Award Agreement, which shall expressly identify the tax classification of the Award, and be in such form and contain such provisions, as the Committee shall from time to time deem appropriate.

1.2. The Plan shall apply to any Awards granted pursuant to this Appendix, provided, that the provisions of this Appendix shall supersede and govern in the case of any inconsistency or conflict, either explicit or implied, arising between the provisions of this Appendix and the Plan.

1.3. Unless otherwise defined in this Appendix, capitalized terms contained herein shall have the same meanings given to them in the Plan.

2. DEFINITIONS.

2.1. “**3(9) Award**” means any Option or Restricted Stock Unit granted by the Company to any Participant who is engaged by an Israeli resident Subsidiary but is not an Israeli Employee and is taxed pursuant to Section 3(9) of the Ordinance.

2.2. “**102 Award**” means any Award granted to an Israeli Employee, provided it is settled only in shares of Common Stock.

2.3. “**102 Capital Gain Track Award**” means any 102 Award granted by the Company to an Israeli Employee pursuant to Section 102(b)(2) or (3) (as applicable) of the Ordinance under the capital gain track.

2.4. “**102 Non-Trustee Award**” means any 102 Award granted by the Company to an Israeli Employee pursuant to Section 102(c) of the Ordinance without a Trustee.

2.5. “**102 Ordinary Income Track Award**” means any 102 Award granted by the Company to an Israeli Employee pursuant to Section 102(b)(1) of the Ordinance under the ordinary income track.

2.6. “**102 Trustee Awards**” means, collectively, 102 Capital Gain Track Awards and 102 Ordinary Income Track Awards.

- 2.7. “**Applicable Law**” shall mean any applicable law, rule, regulation, statute, pronouncement, policy, interpretation, judgment, order or decree of any federal, provincial, state or local governmental, regulatory or adjudicative authority or agency, of any jurisdiction, and the rules and regulations of any stock exchange, over-the-counter market or trading system on which the common stock of the Company are then traded or listed.
- 2.8. “**Controlling Stockholder**” means a controlling stockholder of the Company as such term is defined in Section 32(9) of the Ordinance.
- 2.9. “**Election**” as defined in Section 3.2 below.
- 2.10. “**Israeli Employee**” means either (i) an individual employed by an Israeli resident Subsidiary, or (ii) an individual who is serving and is engaged personally (and not through an entity) as an “office holder” by an Israeli resident Subsidiary, but in both cases, excluding any Controlling Stockholder.
- 2.11. “**ITA**” means the Israel Tax Authority.
- 2.12. “**Ordinance**” means the Israeli Income Tax Ordinance (New Version), 1961, including the Rules and any other regulations, rules, orders or procedures promulgated thereunder, as may be amended or replaced from time to time.
- 2.13. “**Required Holding Period**” as defined in Section 3.5.1 below.
- 2.14. “**Rules**” means the Income Tax Rules (Tax Benefits in Stock Issuance to Employees) 5763-2003.
- 2.15. “**Section 102**” means Section 102 of the Ordinance.
- 2.16. “**Trust Agreement**” means the agreement to be signed between the Company, an Subsidiary and the Trustee for the purposes of Section 102.
- 2.17. “**Trustee**” means the trustee appointed by the Company’s Board of Directors and/or by the Committee to serve as trustee pursuant to the provisions of Section 102 of the Ordinance and approved by the ITA.
- 2.18. “**Withholding Obligations**” as defined in Section 5.5 below.

3. 102 AWARDS

- 3.1. Trustee Tax Tracks. Awards granted as 102 Trustee Awards are intended to be granted as either 102 Capital Gain Track Awards or 102 Ordinary Income Track Awards. 102 Trustee Awards shall be granted subject to the special terms and conditions contained in this Section 3 and the general terms and conditions of the Plan, Section 102 and the Rules, except for any provisions of the Plan applying to Awards under different tax laws or regulations. The classification of any 102 Award shall be subject to and conditions upon compliance with the provisions of Applicable Law including the Ordinance and the Rules and any guidelines from the ITA.

3.2. Election of Track. Subject to Applicable Law, the Company may grant only one type of 102 Trustee Award at any given time to all Participants who are to be granted 102 Trustee Awards pursuant to this Appendix, and shall file an election with the ITA regarding the type of 102 Trustee Award it elects to grant before the date of grant of any 102 Trustee Award (the “**Election**”). Such Election shall also apply to any other securities received by any Participant as a result of holding the 102 Trustee Awards. The Company may change the type of 102 Trustee Award that it elects to grant only after the expiration of at least 12 months from the end of the year in which the first grant was made in accordance with the previous Election, or as otherwise provided by Applicable Law. Any Election shall not prevent the Company from granting 102 Non-Trustee Awards.

3.3. Eligibility for Awards. Subject to Applicable Law, 102 Awards may only be granted to Israeli Employees. Such 102 Awards may either be granted to a Trustee or granted under Section 102(c) without a Trustee.

3.4. 102 Award Grant Date.

3.4.1. Each 102 Award will be deemed granted on the date determined by the Committee, subject to the provisions of the Plan.

3.4.2. Unless otherwise permitted by the Ordinance or by a tax ruling issued by the ITA, any grants of 102 Trustee Awards that are made on or after the date of the adoption of the Plan and this Appendix shall become effective only at the expiration of thirty (30) days after the filing of the Plan and this Appendix with the ITA, and such condition shall be read and is incorporated by reference into the Plan, any corporate resolutions approving such grants and into any Award Agreement evidencing such grants (whether or not explicitly referring to such condition), and the date of grant shall be at the expiration of such 30-day period, whether or not the date of grant indicated therein corresponds with this Section. In the case of any contradiction, this provision and the date of grant determined pursuant hereto shall supersede and be deemed to amend any date of grant indicated in any corporate resolution or Award Agreement.

3.5. 102 Trustee Awards.

3.5.1 Each 102 Trustee Award, each share of Common Stock issued pursuant to the grant, exercise or vesting of any 102 Trustee Award and any rights granted thereunder, shall be allocated or issued to and registered in the name of the Trustee and shall be held in trust or controlled by the Trustee for the benefit of the Participant for the requisite period prescribed by the Ordinance or such longer period as set by the Committee (the “**Required Holding Period**”).

3.5.2. In the event that the requirements under Section 102 to qualify an Award as a 102 Trustee Award are not met, then the Award may be treated as a 102 Non-Trustee Award or shall be subject to tax under Section 3(i) or 2 of the Ordinance (as determined by the Company), all in accordance with the provisions of the Ordinance. Subject to the provisions of Section 102 and the Rules, the Trustee shall not release any 102 Trustee Awards or shares of Common Stock issued in connection with a Trustee 102 Award prior to the payment in full of the Participant’s tax and compulsory payments arising from such 102 Trustee Awards and/or shares of Common Stock.

3.5.3. Each 102 Trustee Award shall be subject to the relevant terms of the Ordinance, the Rules and any determinations, rulings or approvals issued by the ITA, which shall be deemed an integral part of the 102 Trustee Awards and shall prevail over any term contained in the Plan, this Appendix or the Award Agreement that is not consistent therewith. Any provision of the Ordinance, the Rules and any determinations, rulings or approvals by the ITA not expressly specified in the Plan, this Appendix or Award Agreement that are necessary to receive or maintain any tax benefit pursuant to Section 102 shall be binding on the Participant. The Participant granted a 102 Trustee Award shall comply with the Ordinance and the terms and conditions of the Trust Agreement entered into between the Company and the Trustee. The Participant shall execute any and all documents that the Company and/or the Subsidiary and/or the Trustee determine from time to time to be necessary in order to comply with the Ordinance and the Rules.

3.5.4. During the Required Holding Period, the Participant shall not release from trust or sell, assign, transfer or give as collateral, the shares of Common Stock issued in connection with a 102 Trustee Award and/or any securities issued or distributed with respect thereto, until the expiration of the Required Holding Period. Notwithstanding the above, if any such sale, release or other action occurs during the Required Holding Period it may result in adverse tax consequences to the Participant under Section 102 and the Rules, which shall apply to and shall be borne solely by such Participant. Subject to the foregoing, the Trustee may, pursuant to a written request from the Participant, but subject to the terms of the Plan and this Appendix, release and transfer such shares of Common Stock to a designated third party, provided that both of the following conditions have been fulfilled prior to such release or transfer: (i) payment has been made to the ITA of all taxes and compulsory payments required to be paid upon the release and transfer of the shares of Common Stock, and confirmation of such payment has been received by the Trustee and the Company, and (ii) the Trustee has received written confirmation from the Company that all requirements for such release and transfer have been fulfilled according to the terms of the Company's corporate documents, any agreement governing the shares of Common Stock, the Plan, this Appendix, the Award Agreement and any Applicable Law.

3.5.5. As a condition to the grant of a 102 Trustee Award the Participant shall sign a declaration as required in order to comply with the provisions of Section 102 and the Rules.

3.6. 102 Non-Trustee Awards. The foregoing provisions of this Section 3 relating to 102 Trustee Awards shall not apply with respect to 102 Non-Trustee Awards, which shall, however, be subject to the relevant provisions of Section 102 and the applicable Rules. The Committee may determine that 102 Non-Trustee Awards, the shares of Common Stock issuable upon the exercise or (if applicable) vesting of a 102 Non-Trustee Award and/or any securities issued or distributed with respect thereto, shall be allocated or issued to a third party administrator, who shall hold such 102 Non-Trustee Award and all accrued rights thereon (if any) in trust for the benefit of the Participant and/or the Company, as the case may be, until the full payment of tax arising from the 102 Non-Trustee Awards, the shares of Common Stock issuable upon the exercise or (if applicable) vesting of a 102 Non-Trustee Award and/or any securities issued or distributed with respect thereto. The Company may choose, alternatively, to require the Participant to provide the

Company with a guarantee or other security, to the satisfaction of the employing Subsidiary and the Company, until the full payment of the applicable taxes.

4. 3(9) AWARDS

4.1. This Section 4 shall apply to Awards which are 3(9) Awards which are granted subject to the general terms and conditions of the Plan, except for any provisions of the Plan applying to Awards under different tax laws or regulations. In the event of any inconsistency or contradictions between the provisions of this Section 4 and the other terms of the Plan, this Section 4 shall prevail.

4.2. Shares of Common Stock pursuant to a 3(9) Award shall not be issued upon exercise or vesting, as applicable, unless the Participant delivers to the Company payment in cash or by bank check or such other form acceptable to the Committee of all withholding taxes due, if any, on account of the Participant acquiring shares of Common Stock under the Award or the Participant provides other assurance satisfactory to the Committee of the payment of those withholding taxes. Alternatively the Company may sell such amount of shares of Common Stock underlying the Award as required to satisfy the tax withholding obligations and deliver the net amount to the Participant.

AGREEMENT REGARDING TAXES; DISCLAIMER

5.1. If the Committee shall so require, as a condition of exercise of an Award or the release of shares of Common Stock by the Trustee, a Participant shall agree that, no later than the date of such occurrence, the Participant will pay to the Company (or the Trustee, as applicable) or make arrangements satisfactory to the Committee and the Trustee (if applicable) regarding payment of any applicable taxes and compulsory payments of any kind required by Applicable Law to be withheld or paid.

5.2. TAX LIABILITY. ALL TAX CONSEQUENCES UNDER ANY APPLICABLE LAW WHICH MAY ARISE FROM THE GRANT OF ANY AWARDS OR THE EXERCISE OR VESTING THEREOF, THE SALE OR DISPOSITION OF ANY SHARES OF COMMON STOCK GRANTED HEREUNDER OR ISSUED UPON EXERCISE OR (IF APPLICABLE) VESTING OF ANY AWARD, THE ASSUMPTION, SUBSTITUTION, CANCELLATION OR PAYMENT IN LIEU OF AWARDS OR FROM ANY OTHER ACTION IN CONNECTION WITH THE FOREGOING (INCLUDING WITHOUT LIMITATION ANY TAXES AND COMPULSORY PAYMENTS, SUCH AS SOCIAL SECURITY OR HEALTH TAX PAYABLE BY THE PARTICIPANT OR THE COMPANY IN CONNECTION THEREWITH) SHALL BE BORNE AND PAID SOLELY BY THE PARTICIPANT, AND THE PARTICIPANT SHALL INDEMNIFY THE COMPANY, THE SUBSIDIARY AND THE TRUSTEE, AND SHALL HOLD THEM HARMLESS AGAINST AND FROM ANY LIABILITY FOR ANY SUCH TAX OR PAYMENT OR ANY PENALTY, INTEREST OR INDEXATION THEREON. EACH PARTICIPANT AGREES TO, AND UNDERTAKES TO COMPLY WITH, ANY RULING, SETTLEMENT, CLOSING AGREEMENT OR OTHER SIMILAR AGREEMENT OR ARRANGEMENT WITH ANY TAX AUTHORITY IN CONNECTION WITH THE FOREGOING WHICH IS APPROVED BY THE COMPANY.

5.3. NO TAX ADVICE. THE PARTICIPANT IS ADVISED TO CONSULT WITH A TAX ADVISOR WITH RESPECT TO THE TAX CONSEQUENCES OF RECEIVING, EXERCISING OR DISPOSING OF AWARDS HEREUNDER. THE COMPANY DOES NOT ASSUME ANY RESPONSIBILITY TO ADVISE THE PARTICIPANT ON SUCH MATTERS, WHICH SHALL REMAIN SOLELY THE RESPONSIBILITY OF THE PARTICIPANT.

5.4. TAX TREATMENT. THE COMPANY DOES NOT UNDERTAKE OR ASSUME ANY LIABILITY OR RESPONSIBILITY TO THE EFFECT THAT ANY AWARD SHALL QUALIFY WITH ANY PARTICULAR TAX REGIME OR RULES APPLYING TO PARTICULAR TAX TREATMENT, OR BENEFIT FROM ANY PARTICULAR TAX TREATMENT OR TAX ADVANTAGE OF ANY TYPE AND THE COMPANY SHALL BEAR NO LIABILITY IN CONNECTION WITH THE MANNER IN WHICH ANY AWARD IS EVENTUALLY TREATED FOR TAX PURPOSES, REGARDLESS OF WHETHER THE AWARD WAS GRANTED OR WAS INTENDED TO QUALIFY UNDER ANY PARTICULAR TAX REGIME OR TREATMENT. THIS PROVISION SHALL SUPERSEDE ANY DESIGNATION OF AWARDS OR TAX QUALIFICATION INDICATED IN ANY CORPORATE RESOLUTION OR AWARD AGREEMENT, WHICH SHALL AT ALL TIMES BE SUBJECT TO THE REQUIREMENTS OF APPLICABLE LAW. THE COMPANY DOES NOT UNDERTAKE AND SHALL NOT BE REQUIRED TO TAKE ANY ACTION IN ORDER TO QUALIFY ANY AWARD WITH THE REQUIREMENTS OF ANY PARTICULAR TAX TREATMENT AND NO INDICATION IN ANY DOCUMENT TO THE EFFECT THAT ANY AWARD IS INTENDED TO QUALIFY FOR ANY TAX TREATMENT SHALL IMPLY SUCH AN UNDERTAKING. NO ASSURANCE IS MADE BY THE COMPANY OR THE SUBSIDIARY THAT ANY PARTICULAR TAX TREATMENT ON THE DATE OF GRANT WILL CONTINUE TO EXIST OR THAT THE AWARD WILL QUALIFY AT THE TIME OF EXERCISE OR DISPOSITION THEREOF WITH ANY PARTICULAR TAX TREATMENT. THE COMPANY AND THE SUBSIDIARY SHALL NOT HAVE ANY LIABILITY OR OBLIGATION OF ANY NATURE IN THE EVENT THAT AN AWARD DOES NOT QUALIFY FOR ANY PARTICULAR TAX TREATMENT, REGARDLESS WHETHER THE COMPANY COULD HAVE TAKEN ANY ACTION TO CAUSE SUCH QUALIFICATION TO BE MET AND SUCH QUALIFICATION REMAINS AT ALL TIMES AND UNDER ALL CIRCUMSTANCES AT THE RISK OF THE PARTICIPANT. THE COMPANY DOES NOT UNDERTAKE OR ASSUME ANY LIABILITY TO CONTEST A DETERMINATION OR INTERPRETATION (WHETHER WRITTEN OR UNWRITTEN) OF ANY TAX AUTHORITY, INCLUDING IN RESPECT OF THE QUALIFICATION UNDER ANY PARTICULAR TAX REGIME OR RULES APPLYING TO PARTICULAR TAX TREATMENT. IF THE AWARDS DO NOT QUALIFY UNDER ANY PARTICULAR TAX TREATMENT IT COULD RESULT IN ADVERSE TAX CONSEQUENCES TO THE PARTICIPANT.

5.5. The Company or the Subsidiary may take such action as it may deem necessary or appropriate, in its discretion, for the purpose of or in connection with withholding of any taxes and compulsory payments which the Trustee, the Company or the Subsidiary is required by any Applicable Law to withhold in connection with any Awards (collectively, “**Withholding Obligations**”). Such actions may include (i) requiring Participants to remit to the Company in cash an amount sufficient to satisfy such Withholding Obligations and any other taxes and compulsory payments, payable by the Company in connection with the Award or the exercise or (if applicable) vesting thereof; (ii) subject to Applicable Law, allowing the Participants to provide shares of Common Stock, in an amount that at such time, reflects a value that the Committee determines to be sufficient to satisfy such Withholding Obligations; (iii) withholding shares of Common Stock otherwise issuable upon the exercise of an Award at a value which is determined by the Committee to be sufficient to satisfy such Withholding Obligations; or (iv) any combination of the foregoing. The Company shall not be obligated to allow the exercise of any Award by or on behalf of a Participant until all tax consequences arising from the exercise of such Award are resolved in a manner acceptable to the Company.

5.6. Each Participant shall notify the Company in writing promptly and in any event within ten (10) days after the date on which such Participant first obtains knowledge of any tax bureau inquiry, audit, assertion, determination, investigation, or question relating in any manner to the Awards granted or received hereunder or shares of Common Stock issued thereunder and shall continuously inform the

Company of any developments, proceedings, discussions and negotiations relating to such matter, and shall allow the Company and its representatives to participate in any proceedings and discussions concerning such matters. Upon request, a Participant shall provide to the Company any information or document relating to any matter described in the preceding sentence, which the Company, in its discretion, requires.

5.7. With respect to 102 Non-Trustee Awards, if the Participant ceases to be employed by the Company or any Subsidiary, the Participant shall extend to the Company and/or the Subsidiary with whom the Participant is employed a security or guarantee for the payment of taxes due at the time of sale of shares of Common Stock, all in accordance with the provisions of Section 102 and the Rules.

6. ASSIGNABILITY, DESIGNATION AND SALE OF AWARDS

6.1. Despite any other provision of the Plan (including section 6(d)(i) of the Plan), no 102 Award or any right with respect thereto, or purchasable hereunder, whether fully paid or not, shall be assignable, transferable or given as collateral, or any right with respect to any 102 Award given to any third party whatsoever, and during the lifetime of the Israeli Employee, each and all of such Israeli Employee's rights with respect to a Grant shall belong only to the Israeli Employee. Any such action made directly or indirectly, for an immediate or future validation, shall be void.

6.2. As long as 102 Awards or Common Stock issued or purchased hereunder are held by the Trustee on behalf of the Israeli Employee, all rights of the Israeli Employee t over the Common Stock cannot be transferred, assigned, pledged or mortgaged, other than by will or laws of descent and distribution.

7. ONE TIME AWARD

7.1. The 102 Awards and underlying Common Stock are extraordinary, one-time awards granted to the Israeli Employees, and are not and shall not be deemed a salary component for any purpose whatsoever, including in connection with calculating severance compensation under applicable law, nor shall receipt of an award entitle an Israeli Employee to any future Award.

8. GOVERNING LAW

8.1. This Appendix shall be governed by, construed and enforced in accordance with the laws of the State of California, without reference to conflicts of law principles, except that applicable Israeli laws, rules and regulations (as amended) shall apply to any mandatory tax matters arising hereunder.

Dropbox, Inc.
2018 EQUITY INCENTIVE PLAN
STOCK OPTION AGREEMENT

Unless otherwise defined herein, the terms defined in the Dropbox, Inc. 2018 Equity Incentive Plan (the "Plan") will have the same defined meanings in this Stock Option Agreement, which includes the Notice of Stock Option Grant (the "Notice of Grant"), the Terms and Conditions of Stock Option Grant attached hereto as Exhibit A, and all appendices and exhibits attached thereto (all together, the "Option Agreement").

NOTICE OF STOCK OPTION GRANT

Participant:

Address:

The undersigned Participant has been granted an Option to purchase Common Stock of Dropbox, Inc. (the "Company"), subject to the terms and conditions of the Plan and this Option Agreement, as follows:

| | |
|----------------------------|---|
| Grant Number: | _____ |
| Date of Grant: | _____ |
| Vesting Commencement Date: | _____ |
| Number of Shares Granted: | _____ |
| Exercise Price per Share: | _____ |
| Total Exercise Price: | _____ |
| Type of Option: | Incentive Stock Option Nonstatutory Stock Option |
| Term/Expiration Date: | _____ |

Vesting Schedule:

Subject to accelerated vesting as set forth below or in the Plan, this Option will be exercisable, in whole or in part, in accordance with the following schedule:

[Twenty-five percent (25%) of the Shares subject to the Option shall vest on the one (1) year anniversary of the Vesting Commencement Date, and one forty-eighth (1/48th) of the Shares subject to the Option shall vest each month thereafter on the same day of the month as the Vesting Commencement Date (and if there is no corresponding day, on the last day of the month), subject to Participant continuing to be a Service Provider through each such date.]

Termination Period:

This Option will be exercisable for three (3) months after Participant ceases to be a Service Provider, unless such termination is due to Participant's death or Disability, in which case this Option will be exercisable for twelve (12) months after Participant ceases to be a Service Provider. Notwithstanding the foregoing sentence, in no event may this Option be exercised after the Term/Expiration Date as provided above and may be subject to earlier termination as provided in Section 14 of the Plan.

By Participant's signature and the signature of the representative of the Company below, Participant and the Company agree that this Option is granted under and governed by the terms and conditions of the Plan and this Option Agreement, including the Terms and Conditions of Stock Option Grant, attached hereto as Exhibit A, all of which are made a part of this document. Participant acknowledges receipt of a copy of the Plan. Participant has reviewed the Plan and this Option Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option Agreement, and fully understands all provisions of the Plan and this Option Agreement. Participant hereby agrees to accept as binding, conclusive, and final all decisions or interpretations of the Administrator upon any questions relating to the Plan and the Option Agreement. Participant further agrees to notify the Company upon any change in the residence address indicated below.

PARTICIPANT

DROPBOX, INC.

Signature

Signature

Print Name

Print Name

Address:

Title

EXHIBIT A
TERMS AND CONDITIONS OF STOCK OPTION GRANT

1. Grant of Option. The Company hereby grants to the individual (the “Participant”) named in the Notice of Stock Option Grant of this Option Agreement (the “Notice of Grant”) an option (the “Option”) to purchase the number of Shares, as set forth in the Notice of Grant, at the exercise price per Share set forth in the Notice of Grant (the “Exercise Price”), subject to all of the terms and conditions in this Option Agreement and the Plan, which is incorporated herein by reference. Subject to Section 19(c) of the Plan, in the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Option Agreement, the terms and conditions of the Plan will prevail.
 - a. For U.S. taxpayers, the Option will be designated as either an Incentive Stock Option (“ISO”) or a Nonstatutory Stock Option (“NSO”). If designated in the Notice of Grant as an ISO, this Option is intended to qualify as an ISO under Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”). However, if this Option is intended to be an ISO, to the extent that it exceeds the \$100,000 rule of Code Section 422(d) it will be treated as an NSO. Further, if for any reason this Option (or portion thereof) will not qualify as an ISO, then, to the extent of such nonqualification, such Option (or portion thereof) shall be regarded as a NSO granted under the Plan. In no event will the Administrator, the Company or any Parent or Subsidiary or any of their respective employees or directors have any liability to Participant (or any other person) due to the failure of the Option to qualify for any reason as an ISO.
 - b. For non-U.S. taxpayers, the Option will be designated as an NSO.
2. Vesting Schedule. Except as provided in Section 3, the Option awarded by this Option Agreement will vest in accordance with the vesting provisions set forth in the Notice of Grant. Shares scheduled to vest on a certain date or upon the occurrence of a certain condition will not vest in Participant in accordance with any of the provisions of this Option Agreement, unless Participant will have been continuously a Service Provider from the Date of Grant until the date such vesting occurs.
3. Administrator Discretion. The Administrator, in its discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested Option at any time, subject to the terms of the Plan. If so accelerated, such Option will be considered as having vested as of the date specified by the Administrator.
4. Exercise of Option.
 - a. Right to Exercise. This Option may be exercised only within the term set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option Agreement.

- b. Method of Exercise. This Option is exercisable by delivery of an exercise notice (the “Exercise Notice”) in the form attached as Exhibit A or in a manner and pursuant to such procedures as the Administrator may determine, which will state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised (the “Exercised Shares”), and such other representations and agreements as may be required by the Company pursuant to the provisions of the Plan. The Exercise Notice will be completed by Participant and delivered to the Company. The Exercise Notice will be accompanied by payment of the aggregate Exercise Price as to all Exercised Shares together and of any Tax Obligations (as defined in Section 6(a)). This Option will be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by the aggregate Exercise Price.
5. Method of Payment. Payment of the aggregate Exercise Price will be by any of the following, or a combination thereof, at the election of Participant:
- a. cash;
 - b. check;
 - c. consideration received by the Company under a formal cashless exercise program adopted by the Company in connection with the Plan; or
 - d. if Participant is a U.S. employee, surrender of other Shares which have a Fair Market Value on the date of surrender equal to the aggregate Exercise Price of the Exercised Shares and that are owned free and clear of any liens, claims, encumbrances, or security interests, provided that accepting such Shares, in the sole discretion of the Administrator, will not result in any adverse accounting consequences to the Company.
6. Tax Obligations.
- a. Participant acknowledges that, regardless of any action taken by the Company or, if different, Participant’s employer (the “Employer”) or Parent or Subsidiary to which Participant is providing services (together, the Company, Employer and/or Parent or Subsidiary to which the Participant is providing services, the “Service Recipient”), the ultimate liability for any tax and/or social insurance liability obligations and requirements in connection with the Option, including, without limitation, (i) all federal, state, and local taxes (including the Participant’s Federal Insurance Contributions Act (FICA) obligation) that are required to be withheld by the Company or the Service Recipient or other payment of tax-related items related to Participant’s participation in the Plan and legally applicable to Participant, (ii) the Participant’s and, to the extent required by the Company (or Service Recipient), the Company’s (or Service Recipient’s) fringe benefit tax liability, if any, associated with the grant, vesting, or exercise of the Option or sale of Shares, and (iii) any other Company (or Service Recipient) taxes the responsibility for which the Participant has, or has agreed to bear, with respect to

the Option (or exercise thereof or issuance of Shares thereunder) (collectively, the “Tax Obligations”), is and remains Participant’s responsibility and may exceed the amount actually withheld by the Company or the Service Recipient. Participant further acknowledges that the Company and/or the Service Recipient (A) make no representations or undertakings regarding the treatment of any Tax Obligations in connection with any aspect of the Option, including, but not limited to, the grant, vesting or exercise of the Option, the subsequent sale of Shares acquired pursuant to such exercise and the receipt of any dividends or other distributions, and (B) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Option to reduce or eliminate Participant’s liability for Tax Obligations or achieve any particular tax result. Further, if Participant is subject to Tax Obligations in more than one jurisdiction between the Date of Grant and the date of any relevant taxable or tax withholding event, as applicable, Participant acknowledges that the Company and/or the Service Recipient (or former employer, as applicable) may be required to withhold or account for Tax Obligations in more than one jurisdiction. If Participant fails to make satisfactory arrangements for the payment of any required Tax Obligations hereunder at the time of the applicable taxable event, Participant acknowledges and agrees that the Company may refuse to issue or deliver the Shares.

- b. **Tax Withholding.** When the Option is exercised, Participant generally will recognize immediate U.S. taxable income if Participant is a U.S. taxpayer. If Participant is a non-U.S. taxpayer, Participant will be subject to applicable taxes in his or her jurisdiction. Pursuant to such procedures as the Administrator may specify from time to time, the Company and/or Service Recipient shall withhold the amount required to be withheld for the payment of Tax Obligations. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit Participant to satisfy such Tax Obligations, in whole or in part (without limitation), if permissible by applicable local law, by (i) paying cash, (ii) electing to have the Company withhold otherwise deliverable Shares having a fair market value equal to the minimum amount that is necessary to meet the withholding requirement for such Tax Obligations (or such greater amount as Participant may elect if permitted by the Administrator, if such greater amount would not result in adverse financial accounting consequences), (iii) withholding the amount of such Tax Obligations from Participant’s wages or other cash compensation paid to Participant by the Company and/or the Service Recipient, (iv) delivering to the Company already vested and owned Shares having a fair market value equal to such Tax Obligations, or (v) selling a sufficient number of such Shares otherwise deliverable to Participant through such means as the Company may determine in its sole discretion (whether through a broker or otherwise) equal to the minimum amount that is necessary to meet the withholding requirement for such Tax Obligations (or such greater amount as Participant may elect if permitted by the Administrator, if such greater amount would not result in adverse financial accounting consequences). To the extent determined appropriate by the Company in its discretion, it will have the right (but not the obligation) to satisfy any Tax Obligations by reducing the number of

Shares otherwise deliverable to Participant. Further, if Participant is subject to tax in more than one jurisdiction between the Date of Grant and a date of any relevant taxable or tax withholding event, as applicable, Participant acknowledges and agrees that the Company and/or the Service Recipient (and/or former employer, as applicable) may be required to withhold or account for tax in more than one jurisdiction. If Participant fails to make satisfactory arrangements for the payment of any required Tax Obligations hereunder at the time of the Option exercise, Participant acknowledges and agrees that the Company may refuse to honor the exercise and refuse to deliver the Shares if such amounts are not delivered at the time of exercise.

- c. Notice of Disqualifying Disposition of ISO Shares. If the Option granted to Participant herein is an ISO, and if Participant sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (i) the date two (2) years after the Date of Grant, or (ii) the date one (1) year after the date of exercise, Participant will immediately notify the Company in writing of such disposition. Participant agrees that Participant may be subject to income tax withholding by the Company on the compensation income recognized by Participant.
 - d. Code Section 409A. Under Code Section 409A, a stock right (such as the Option) that vests after December 31, 2004 (or that vested on or prior to such date but which was materially modified after October 3, 2004) that was granted with a per share exercise price that is determined by the Internal Revenue Service (the "IRS") to be less than the fair market value of an underlying share on the date of grant (a "discount option") may be considered "deferred compensation." A stock right that is a "discount option" may result in (i) income recognition by the recipient of the stock right prior to the exercise of the stock right, (ii) an additional twenty percent (20%) federal income tax, and (iii) potential penalty and interest charges. The "discount option" may also result in additional state income, penalty and interest tax to the recipient of the stock right. Participant acknowledges that the Company cannot and has not guaranteed that the IRS will agree that the per Share exercise price of this Option equals or exceeds the fair market value of a Share on the date of grant in a later examination. Participant agrees that if the IRS determines that the Option was granted with a per Share exercise price that was less than the fair market value of a Share on the date of grant, Participant shall be solely responsible for Participant's costs related to such a determination.
7. Rights as Stockholder. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares (which may be in book entry form) will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant (including through electronic delivery to a brokerage account). After such issuance, recordation, and delivery, Participant will have all the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

8. No Guarantee of Continued Service. PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER, WHICH UNLESS PROVIDED OTHERWISE UNDER APPLICABLE LAW IS AT THE WILL OF THE COMPANY (OR THE SERVICE RECIPIENT) AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS OPTION AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND WILL NOT INTERFERE IN ANY WAY WITH PARTICIPANT'S RIGHT OR THE RIGHT OF THE COMPANY (OR THE SERVICE RECIPIENT) TO TERMINATE PARTICIPANT'S RELATIONSHIP AS A SERVICE PROVIDER, SUBJECT TO APPLICABLE LAW, WHICH TERMINATION, UNLESS PROVIDED OTHERWISE UNDER APPLICABLE LAW, MAY BE AT ANY TIME, WITH OR WITHOUT CAUSE.
9. Nature of Grant. In accepting the Option, Participant acknowledges, understands and agrees that:
- a. the grant of the Option is voluntary and occasional and does not create any contractual or other right to receive future grants of options, or benefits in lieu of options, even if options have been granted in the past;
 - b. all decisions with respect to future option or other grants, if any, will be at the sole discretion of the Company;
 - c. Participant is voluntarily participating in the Plan;
 - d. the Option and any Shares acquired under the Plan are not intended to replace any pension rights or compensation;
 - e. the Option and Shares acquired under the Plan and the income and value of same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;
 - f. the future value of the Shares underlying the Option is unknown, indeterminable, and cannot be predicted with certainty;
 - g. if the underlying Shares do not increase in value, the Option will have no value;

- h. if Participant exercises the Option and acquires Shares, the value of such Shares may increase or decrease in value, even below the Exercise Price;
- i. for purposes of the Option, Participant's engagement as a Service Provider will be considered terminated as of the date Participant is no longer actively providing services to the Company or any Parent or Subsidiary (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant's employment or service agreement, if any), and unless otherwise expressly provided in this Option Agreement (including by reference in the Notice of Grant to other arrangements or contracts) or determined by the Administrator, (i) Participant's right to vest in the Option under the Plan, if any, will terminate as of such date and will not be extended by any notice period (*e.g.*, Participant's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where Participant is a Service Provider or Participant's employment or service agreement, if any, unless Participant is providing bona fide services during such time); and (ii) the period (if any) during which Participant may exercise the Option after such termination of Participant's engagement as a Service Provider will commence on the date Participant ceases to actively provide services and will not be extended by any notice period mandated under employment laws in the jurisdiction where Participant is employed or terms of Participant's engagement agreement, if any; the Administrator shall have the exclusive discretion to determine when Participant is no longer actively providing services for purposes of his or her Option grant (including whether Participant may still be considered to be providing services while on a leave of absence and consistent with local law);
- j. unless otherwise provided in the Plan or by the Company in its discretion, the Option and the benefits evidenced by this Option Agreement do not create any entitlement to have the Option or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and
- k. the following provisions apply only if Participant is providing services outside the United States:
 - i. the Option and the Shares subject to the Option are not part of normal or expected compensation or salary for any purpose;
 - ii. Participant acknowledges and agrees that none of the Company, the Service Recipient, or any Parent or Subsidiary shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the Option or of any amounts due to Participant pursuant to the exercise of the Option or the subsequent sale of any Shares acquired upon exercise; and

- iii. no claim or entitlement to compensation or damages shall arise from forfeiture of the Option resulting from the termination of Participant's engagement as a Service Provider (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant's employment or service agreement, if any), and in consideration of the grant of the Option to which Participant is otherwise not entitled, Participant irrevocably agrees never to institute any claim against the Company, any Parent, any Subsidiary or the Service Recipient, waives his or her ability, if any, to bring any such claim, and releases the Company, any Parent or Subsidiary and the Service Recipient from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, Participant shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claim.

10. No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan, or Participant's acquisition or sale of the underlying Shares. Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

11. Data Privacy.

- i. European Union / European Economic Area / United Kingdom

1. Data Privacy Terms. The following data privacy terms govern the grant of Options under the Plan to Participants in the European Union / European Economic Area / United Kingdom.

- i. Data Collection and Usage. The Company and the Employer collect, process and use certain personal information about the Participant, including, but not limited to, his or her name, home address, telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all Awards granted under the Plan or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in his or her favor ("Data"), for the purpose of implementing, administering and managing the Participant's participation in the Plan. The Company's collection, use, transfer and other processing of Participant's Data is necessary for the performance of the Plan. Therefore, the legal basis for the processing of Data

is contractual necessity. The Data must be provided in order for Participant to participate in the Plan and for the parties to this Option Agreement to perform their respective obligations thereunder. If Participant does not provide Data, he or she will not be able to participate in the Plan and become a party to this Option Agreement.

- ii. Stock Plan Administration Service Providers. The Company transfers Data to Solium Capital Inc. (“Shareworks”), an independent service provider based in Alberta, Canada which is assisting the Company with the implementation, administration and management of the Plan. The Company may select a different service provider or additional service providers and share Data with such other service providers in a similar manner. Participant may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan.
- iii. International Data Transfers. The Company and Shareworks are based in the United States and Canada, respectively. If Participant is outside the United States or Canada, Participant should note that his or her country has enacted data privacy laws that are different from the United States or Canada and that the United States and Canada might not provide a level of protection of personal data equivalent to the level of protection in Participant’s country. The United States and some of these other jurisdictions have not been found by the European Commission to have adequate data protection safeguards. If the Company and the Employer transfer Data outside of the European Economic Area, the Company will take steps as required and recognized by the European Commission to provide adequate safeguards for the transferred Data. The Company and the Employer rely on Standard Contractual Clauses to transfer data.
- iv. Data Retention. The Company will hold and use Data only as long as is necessary to implement, administer and manage Participant’s participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax, exchange control, labor and securities laws. This period may extend beyond Participant’s service relationship. When the Company or the Employer no longer need Data for any of the above purposes, they will cease processing it in this context and remove it from all of

their systems used for such purposes, to the fullest extent possible.

- v. Data Subject Rights. Participant may have a number of rights under data privacy laws in his or her jurisdiction. Depending on where Participant is based, such rights may include the right to (i) request access to or copies of Data the Company processes, (ii) rectify incorrect Data, (iii) delete Data, (iv) restrict the processing of Data, (v) enjoin the portability of Data, (vi) lodge complaints with competent authorities in Participant's jurisdiction, and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, Participant can contact his or her local human resources representative.

2. Non-European Union / European Economic Area / United Kingdom

- i. Data Privacy Terms. The following data privacy terms govern the grant of Options under the Plan to Participants outside the European Union / European Economic Area / United Kingdom.
- ii. Data Collection and Usage. The Company and the Employer collect, process and use certain personal information about the Participant, including, but not limited to, his or her name, home address, telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all Awards granted under the Plan or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in his or her favor ("Data"), for the purpose of implementing, administering and managing the Participant's participation in the Plan. The legal basis, where required, for the processing of Data is the Participant's consent.
- iii. Stock Plan Administration Service Providers. The Company transfers Data to Solium Capital Inc. ("Shareworks"), an independent service provider based in Alberta, Canada which is assisting the Company with the implementation, administration and management of the Plan. The Company may select a different service provider or additional service providers and share Data with such other service providers in a similar manner. Participant

may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan.

- iv. International Data Transfers. The Company and Shareworks are based in the United States and Canada, respectively. If Participant is outside the United States or Canada, Participant should note that his or her country may have enacted data privacy laws that are different from the United States or Canada and that the United States and Canada might not provide a level of protection of personal data equivalent to the level of protection in Participant's country. Participant understands that if he or she resides outside the United States, Participant may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. Participant authorizes the Company, Shareworks and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purposes implementing, administering and managing Participant's participation in the Plan.
- v. Data Retention. The Company will hold and use Data only as long as is necessary to implement, administer and manage Participant's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax, exchange control, labor and securities laws. This period may extend beyond Participant's service relationship. When the Company or the Employer no longer need Data for any of the above purposes, they will cease processing it in this context and remove it from all of their systems used for such purposes, to the fullest extent possible. Participant understands that if he or she resides in certain jurisdictions, to the extent required by Applicable Law, Participant may, at any time, request access to Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents given by accepting the Option, in any case without cost, by contacting in writing his or her local human resources representative.
- vi. Voluntariness and Consequences of Consent, Denial or Withdrawal. Participation in the Plan is voluntary and

Participant is providing the consents herein on a purely voluntary basis. If Participant does not consent, or if he or she later seeks to revoke the consent, Participant's compensation from or service relationship with the Employer will not be affected; the only consequence of refusing or withdrawing his or her consent is that the Company would not be able to grant Participant the Options or other Awards under the Plan or administer or maintain such Awards. Therefore, Participant understands that refusing or withdrawing his or her consent may affect his or her ability to participate in the Plan (including the right to retain the Option). Participant understands that he or she may contact his or her local human resources representative for more information on the consequences of his or her refusal to consent or withdrawal of consent.

vii. Data Subject Rights. Participant may have a number of rights under data privacy laws in his or her jurisdiction. Depending on where Participant is based, such rights may include the right to (i) request access to or copies of Data the Company processes, (ii) rectify incorrect Data, (iii) delete Data, (iv) restrict the processing of Data, (v) enjoin the portability of Data, (vi) lodge complaints with competent authorities in Participant's jurisdiction, and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, Participant can contact his or her local human resources representative.

viii. Additional Consents. Upon request of the Company or the Employer, Participant agrees to provide an executed data privacy consent form to the Company and/or the Employer (or any other agreements or consents that may be required by the Company and/or the Employer) that the Company and/or the Employer may deem necessary to obtain from Participant for the purpose of administering his or her participation in the Plan in compliance with the applicable data privacy laws, either now or in the future. Participant understands and agrees that he or she will not be able to participate in the Plan if Participant fails to provide any such consent or agreement requested by the Company and/or the Employer.

12. Address for Notices. Any notice to be given to the Company under the terms of this Option Agreement will be addressed to the Company at Dropbox, Inc., 1800 Owens Street, Suite 200, San Francisco, CA 94158, or at such other address as the Company may hereafter designate in writing.

13. Non-Transferability of Option. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Participant only by Participant.
14. Successors and Assigns. The Company may assign any of its rights under this Option Agreement to single or multiple assignees, and this Option Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Option Agreement shall be binding upon Participant and his or her heirs, executors, administrators, successors and assigns. The rights and obligations of Participant under this Option Agreement may only be assigned with the prior written consent of the Company.
15. Additional Conditions to Issuance of Stock. If at any time the Company will determine, in its discretion, that the listing, registration, qualification or rule compliance of the Shares upon any securities exchange or under any state, federal or non-U.S. law, the tax code and related regulations or under the rulings or regulations of the United States Securities and Exchange Commission or any other governmental regulatory body or the clearance, consent or approval of the United States Securities and Exchange Commission or any other governmental regulatory authority is necessary or desirable as a condition to the purchase by, or issuance of Shares, to Participant (or his or her estate) hereunder, such purchase or issuance will not occur unless and until such listing, registration, qualification, rule compliance, clearance, consent or approval will have been completed, effected or obtained free of any conditions not acceptable to the Company. Subject to the terms of the Option Agreement and the Plan, the Company shall not be required to issue any certificate or certificates for Shares hereunder prior to the lapse of such reasonable period of time following the date of exercise of the Option as the Administrator may establish from time to time for reasons of administrative convenience.
16. Language. If Participant has received this Option Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.
17. Interpretation. The Administrator will have the power to interpret the Plan and this Option Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Shares subject to the Option have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company and all other interested persons. Neither the Administrator nor any person acting on behalf of the Administrator will be personally liable for any action, determination, or interpretation made in good faith with respect to the Plan or this Option Agreement.
18. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to the Option awarded under the Plan or future options that may be awarded under the Plan by electronic means or request Participant's consent to

participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through any on-line or electronic system established and maintained by the Company or a third party designated by the Company.

19. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Option Agreement.
20. Agreement Severable. In the event that any provision in this Option Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Option Agreement.
21. Amendment, Suspension or Termination of the Plan. By accepting this Option, Participant expressly warrants that he or she has received an Option under the Plan, and has received, read, and understood a description of the Plan. Participant understands that the Plan is discretionary in nature and may be amended, suspended or terminated by the Company at any time.
22. Governing Law and Venue. This Option Agreement will be governed by the laws of California, without giving effect to the conflict of law principles thereof. For purposes of litigating any dispute that arises under this Option or this Option Agreement, the parties hereby submit to and consent to the jurisdiction of the State of California, and agree that such litigation will be conducted in the courts of San Francisco County, California, or the federal courts for the United States for the Northern District of California, and no other courts, where this Option is made and/or to be performed.
23. Country Addendum. Notwithstanding any provisions in this Option Agreement, this Option shall be subject to any special terms and conditions set forth in the appendix (if any) to this Option Agreement for Participant's country (the "Country Addendum"). Moreover, if Participant relocates to one of the countries included in the Country Addendum (if any), the special terms and conditions for such country will apply to Participant, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Country Addendum constitutes part of this Option Agreement.
24. Modifications to the Agreement. This Option Agreement constitutes the entire understanding of the parties on the subjects covered. Participant expressly warrants that he or she is not accepting this Option Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Option Agreement or the Plan can be made only in an express written contract executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Option Agreement, the Company reserves the right to revise this Option Agreement as it deems necessary or advisable, in its sole discretion and without the consent of Participant, to comply with Code Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Section 409A of the Code in connection with the Option.

25. No Waiver. Either party's failure to enforce any provision or provisions of this Option Agreement shall not in any way be construed as a waiver of any such provision or provisions, nor prevent that party from thereafter enforcing each and every other provision of this Option Agreement. The rights granted both parties herein are cumulative and shall not constitute a waiver of either party's right to assert all other legal remedies available to it under the circumstances.
26. Tax Consequences. Participant has reviewed with its own tax advisors the U.S. federal, state, local and non-U.S. tax consequences of this investment and the transactions contemplated by this Option Agreement. With respect to such matters, Participant relies solely on such advisors and not on any statements or representations of the Company or any of its agents, written or oral. Participant understands that Participant (and not the Company) shall be responsible for Participant's own tax liability that may arise as a result of this investment or the transactions contemplated by this Option Agreement.

Dropbox, Inc.
2018 EQUITY INCENTIVE PLAN
STOCK OPTION AGREEMENT
COUNTRY ADDENDUM

TERMS AND CONDITIONS

This Country Addendum includes additional terms and conditions that govern the Option granted to Participant under the Plan if Participant works in one of the countries listed below. If Participant is a citizen or resident of a country (or is considered as such for local law purposes) other than the one in which he or she is currently working or if Participant relocates to another country after receiving the Option, the Company will, in its discretion, determine the extent to which the terms and conditions contained herein will be applicable to Participant.

Certain capitalized terms used but not defined in this Country Addendum shall have the meanings set forth in the Plan, and/or the Stock Option Agreement to which this Country Addendum is attached.

NOTIFICATIONS

This Country Addendum also includes notifications relating to exchange control and other issues of which Participant should be aware with respect to his or her participation in the Plan. The information is based on the exchange control, securities and other laws in effect in the countries listed in this Country Addendum, as of December_2020. Such laws are often complex and change frequently. As a result, the Company strongly recommends that Participant not rely on the notifications herein as the only source of information relating to the consequences of his or her participation in the Plan because the information may be outdated when Participant exercises the Option or sells Shares acquired under the Plan.

In addition, the notifications are general in nature and may not apply to Participant's particular situation, and the Company is not in a position to assure Participant of any particular result. Accordingly, Participant is advised to seek appropriate professional advice as to how the relevant laws in Participant's country may apply to Participant's situation.

Finally, if Participant is a citizen or resident of a country other than the one in which Participant is currently working (or is considered as such for local law purposes) or if Participant moves to another country after the Option is granted, the information contained herein may not be applicable to Participant.

EXHIBIT B
Dropbox, Inc.
2018 EQUITY INCENTIVE PLAN
EXERCISE NOTICE

Dropbox, Inc.
1800 Owens Street, Suite 200
San Francisco, CA 94158

Attention: Stock Administration

1. **Exercise of Option.** Effective as of today, _____, _____, the undersigned (“Purchaser”) hereby elects to purchase _____ shares (the “Shares”) of the Common Stock of Dropbox, Inc. (the “Company”) under and pursuant to the 2018 Equity Incentive Plan (the “Plan”) and the Stock Option Agreement, dated _____ and including the Notice of Grant, the Terms and Conditions of Stock Option Grant, and exhibits attached thereto (the “Option Agreement”). The purchase price for the Shares will be \$ _____, as required by the Option Agreement.
2. **Delivery of Payment.** Purchaser herewith delivers to the Company the full purchase price of the Shares and any Tax Obligations (as defined in Section 6(a) of the Option Agreement) to be paid in connection with the exercise of the Option.
3. **Representations of Purchaser.** Purchaser acknowledges that Purchaser has received, read and understood the Plan and the Option Agreement and agrees to abide by and be bound by their terms and conditions.
4. **Rights as Stockholder.** Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the Shares, no right to vote or receive dividends or any other rights as a stockholder will exist with respect to the Shares subject to the Option, notwithstanding the exercise of the Option. The Shares so acquired will be issued to Purchaser as soon as practicable after exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date of issuance, except as provided in Section 14 of the Plan.
5. **Tax Consultation.** Purchaser understands that Purchaser may suffer adverse tax consequences as a result of Purchaser’s purchase or disposition of the Shares. Purchaser represents that Purchaser has consulted with any tax consultants Purchaser deems advisable in connection with the purchase or disposition of the Shares and that Purchaser is not relying on the Company for any tax advice.
6. **Entire Agreement; Governing Law.** The Plan and Option Agreement are incorporated herein by reference. This Exercise Notice, the Plan and the Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Purchaser with respect to the subject matter hereof, and may not be modified adversely to the Purchaser’s interest except by means of a writing signed by the Company and Purchaser.

This Option Agreement is governed by the internal substantive laws, but not the choice of law rules, of California.

Submitted by:

PURCHASER

Signature

Print Name

Address:

Accepted by:

DROPBOX, INC.

Signature

Print Name

Title

Date Received

Dropbox, Inc.
2018 EQUITY INCENTIVE PLAN
RESTRICTED STOCK UNIT AGREEMENT
NOTICE OF RESTRICTED STOCK UNIT GRANT

Unless otherwise defined herein, the terms defined in the Dropbox, Inc. 2018 Equity Incentive Plan (the “Plan”) will have the same defined meanings in this Restricted Stock Unit Agreement, which includes the Notice of Restricted Stock Unit Grant (the “Notice of Grant”), Terms and Conditions of Restricted Stock Unit Grant attached hereto as Exhibit A, and all appendices and exhibits attached thereto, including the Country-Specific Terms and Conditions for Participants Outside the U.S. in the Country Addendum attached hereto as Exhibit B (the “Country Addendum”) (all together, the “Award Agreement”).

Participant:

Address:

Grant Number: _____

Date of Grant: _____

Vesting Commencement Date: _____

Number of Restricted Stock Units: _____

Vesting Schedule:

Subject to any acceleration provisions contained in the Plan or set forth below, the Restricted Stock Units will vest in accordance with the following schedule:

[Twenty-five percent (25%) of the Restricted Stock Units will vest on the one (1)-year anniversary of the Vesting Commencement Date, and one sixteenth (1/16th) of the Restricted Stock Units will vest on each Quarterly Vesting Date (as defined below) thereafter, subject to Participant continuing to be a Service Provider through each such date.]

A “Quarterly Vesting Date” is each of February 15, May 15, August 15, and November 15.

In the event Participant ceases to be a Service Provider for any or no reason before Participant vests in the Restricted Stock Units, the Restricted Stock Units and Participant’s right to acquire any Shares hereunder will immediately terminate.

By accepting this Award, Participant acknowledges receipt of a copy of the Plan and agrees (i) that this Award of Restricted Stock Units is granted under and governed by the terms and conditions of the

Plan and this Award Agreement, (ii) that Participant has reviewed the Plan and this Award Agreement in their entirety, has had an opportunity to obtain the advice of counsel, and fully understands all provisions of the Plan and this Award Agreement, (iii) to accept as binding, conclusive, and final all decisions or interpretations of the Administrator upon any questions relating to the Plan and the Award Agreement, and (iv) to notify Dropbox, Inc. (the "Company") upon any change in the residence address indicated below.

By clicking "Accept" on the Shareworks award acceptance page, Participant is providing his or her acceptance of this Award and his or her agreement with all terms and conditions of the Award, as set forth in the Plan and this Award Agreement.

In addition, if Participant resides in Canada, Germany, Japan, Singapore, Sweden, the United Kingdom, or the United States and does not wish to receive this Award and/or does not consent and agree to the terms and conditions on which the Award is offered, as set forth in the Plan and this Award Agreement, then Participant must reject this Award by notifying the Company at Dropbox, Inc., Attention: Stock Administration, 1800 Owens Street, Suite 200, San Francisco, CA 94158 no later than **30 days following the Date of Grant**, in which case the Award will be cancelled. Participant's failure to notify the Company of his or her rejection of the Award within this specified period will constitute the Participant's acceptance of this Award and his or her agreement with all terms and conditions of the Award, as set forth in the Plan and this Award Agreement.

PARTICIPANT:

DROPBOX, INC.

Signature

Signature

Print Name

Print Name

Address:

Title

EXHIBIT A

TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT GRANT

1. Grant of Restricted Stock Units. The Company hereby grants to the individual (the “Participant”) named in the Notice of Grant of Restricted Stock Units of this Award Agreement (the “Notice of Grant”) under the Plan an Award of Restricted Stock Units, subject to all of the terms and conditions in this Award Agreement and the Plan, which is incorporated herein by reference. Subject to Section 19(c) of the Plan, in the event of a conflict between the terms and conditions of the Plan and this Award Agreement the terms and conditions of the Plan shall prevail.
2. Company’s Obligation to Pay. Each Restricted Stock Unit represents the right to receive a Share on the date it vests. Unless and until the Restricted Stock Units will have vested in the manner set forth in Section 3 or 4, Participant will have no right to payment of any such Restricted Stock Units. Prior to actual payment of any vested Restricted Stock Units, such Restricted Stock Unit will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company.
3. Vesting Schedule. Except as provided in Section 4, and subject to Section 5, the Restricted Stock Units awarded by this Award Agreement will vest in accordance with the vesting schedule set forth in the Notice of Grant, subject to Participant continuing to be a Service Provider through each applicable vesting date.
4. Payment after Vesting.
 - a. General Rule. Subject to Section 8, any Restricted Stock Units that vest will be paid to Participant (or in the event of Participant’s death, to his or her properly designated beneficiary or estate) in whole Shares. Subject to the provisions of Section 4(b), such vested Restricted Stock Units shall be paid in whole Shares as soon as practicable after vesting, but in each such case within sixty (60) days following the vesting date. In no event will Participant be permitted, directly or indirectly, to specify the taxable year of payment of any Restricted Stock Units payable under this Award Agreement.
 - b. Acceleration.
 - i. Discretionary Acceleration. The Administrator, in its discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested Restricted Stock Units at any time, subject to the terms of the Plan. If so accelerated, such Restricted Stock Units will be considered as having vested as of the date specified by the Administrator. If Participant is a U.S. taxpayer, the payment of Shares vesting pursuant to this Section 4(b) shall in all cases be paid at a time or in a manner that is exempt from, or complies with, Section 409A. The prior sentence may be superseded in a future agreement or amendment to this Award Agreement only by direct and specific reference to such sentence.
 - ii. Notwithstanding anything in the Plan or this Award Agreement or any other agreement (whether entered into before, on or after the Date of Grant), if the vesting of the balance, or some lesser portion of the balance, of the Restricted Stock Units is accelerated in connection with Participant’s termination as a Service Provider (provided that such termination is a “separation from service” within the meaning of Section 409A, as determined by the Company), other than

due to Participant's death, and if (x) Participant is a U.S. taxpayer and a "specified employee" within the meaning of Section 409A at the time of such termination as a Service Provider and (y) the payment of such accelerated Restricted Stock Units will result in the imposition of additional tax under Section 409A if paid to Participant on or within the six (6) month period following Participant's termination as a Service Provider, then the payment of such accelerated Restricted Stock Units will not be made until the date six (6) months and one (1) day following the date of Participant's termination as a Service Provider, unless Participant dies following his or her termination as a Service Provider, in which case, the Restricted Stock Units will be paid in Shares to Participant's estate as soon as practicable following his or her death.

c. Section 409A. It is the intent of this Award Agreement that it and all payments and benefits to U.S. taxpayers hereunder be exempt from, or comply with, the requirements of Section 409A so that none of the Restricted Stock Units provided under this Award Agreement or Shares issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to be so exempt or so comply. Each payment payable under this Award Agreement is intended to constitute a separate payment for purposes of Treasury Regulation Section 1.409A-2(b)(2). However, in no event will the Company reimburse Participant, or be otherwise responsible for, any taxes or costs that may be imposed on Participant as a result of Section 409A. For purposes of this Award Agreement, "Section 409A" means Section 409A of the Code, and any final Treasury Regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time.

5. Forfeiture Upon Termination as a Service Provider. Notwithstanding any contrary provision of this Award Agreement, if Participant ceases to be a Service Provider for any or no reason, the then-unvested Restricted Stock Units awarded by this Award Agreement will thereupon be forfeited at no cost to the Company and Participant will have no further rights thereunder.
6. Tax Consequences. Participant has reviewed with his or her own tax advisors the U.S. federal, state, local and non-U.S. tax consequences of this investment and the transactions contemplated by this Award Agreement. With respect to such matters, Participant relies solely on such advisors and not on any statements or representations of the Company or any of its agents, written or oral. Participant understands that Participant (and not the Company) shall be responsible for Participant's own Tax-Related Items (as defined in Section 8 below) that may arise as a result of this investment or the transactions contemplated by this Award Agreement.
7. Death of Participant. Any distribution or delivery to be made to Participant under this Award Agreement will, if Participant is then deceased, be made to Participant's designated beneficiary, provided such designation is valid under Applicable Laws, or if no beneficiary survives Participant, the administrator or executor of Participant's estate. Any such transferee must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.
8. Tax-Related Items.

- a. Responsibility for Taxes. Participant acknowledges that, regardless of any action taken by the Company or, if different, Participant's employer (the "Employer") or Parent or Subsidiary to which Participant is providing services (together, the Company, Employer and/or Parent or Subsidiary to which the Participant is providing services, the "Service Recipient"), the ultimate liability for any tax and/or social insurance liability obligations and requirements in connection with the Restricted Stock Units, including, without limitation, (i) all federal, state, and local taxes (including the Participant's Federal Insurance Contributions Act (FICA) obligation) that are required to be withheld by the Company or the Employer or other payment of tax-related items related to Participant's participation in the Plan and legally applicable to Participant, (ii) the Participant's and, to the extent required by the Company (or Service Recipient), the Company's (or Service Recipient's) fringe benefit tax liability, if any, associated with the grant, vesting, or settlement of the Restricted Stock Units or sale of Shares, and (iii) any other Company (or Service Recipient) taxes the responsibility for which the Participant has, or has agreed to bear, with respect to the Restricted Stock Units (or settlement thereof or issuance of Shares thereunder) (collectively, the "Tax-Related Items"), is and remains Participant's responsibility and may exceed the amount actually withheld by the Company or the Service Recipient. Participant further acknowledges that the Company and/or the Service Recipient (A) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Restricted Stock Units, including, but not limited to, the grant, vesting or settlement of the Restricted Stock Units, the subsequent sale of Shares acquired pursuant to such settlement and the receipt of any dividends or other distributions, and (B) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Restricted Stock Units to reduce or eliminate Participant's liability for Tax-Related Items or achieve any particular tax result.
- b. Tax Withholding. When Shares are issued as payment for vested Restricted Stock Units, Participant generally will recognize immediate U.S. taxable income if Participant is a U.S. taxpayer. If Participant is a non-U.S. taxpayer, Participant will be subject to applicable taxes in his or her jurisdiction. Pursuant to such procedures as the Administrator may specify from time to time, the Company and/or Service Recipient shall withhold the amount required to be withheld for the payment of Tax-Related Items. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit Participant to satisfy such Tax-Related Items, in whole or in part (without limitation), if permissible by applicable local law, by (i) requiring Participant to make a payment in a form acceptable to the Company; (ii) withholding in Shares to be issued upon settlement of the Restricted Stock Units, (iii) withholding from Participant's wages or other cash compensation payable to Participant by the Company and/or the Service Recipient, (iv) delivering to the Company already vested and owned Shares having a fair market value equal to such Tax-Related Items, or (v) withholding from proceeds of the sale of Shares acquired upon settlement of the Restricted Stock Units either through a voluntary sale or through a mandatory sale arranged by the Company (on Participant's behalf pursuant to this authorization without further consent). To the extent determined appropriate by the Company in its discretion, it will have the right (but not the obligation) to satisfy any Tax-Related Items by reducing the number of Shares otherwise deliverable to Participant and, until determined otherwise by the Company, this will be the method by which such Tax-Related Items are satisfied. The Company may withhold or account for Tax-Related Items by considering statutory or other withholding rates, including minimum or maximum rates applicable in Participant's jurisdiction(s). Further, if Participant is subject to tax in more than one

jurisdiction between the Date of Grant and a date of any relevant taxable or tax withholding event, as applicable, Participant acknowledges and agrees that the Company and/or the Service Recipient (and/or former employer, as applicable) may be required to withhold or account for tax in more than one jurisdiction. If Participant fails to make satisfactory arrangements for the payment of such Tax-Related Items hereunder at the time any applicable Restricted Stock Units otherwise are scheduled to vest pursuant to Sections 3 or 4, Participant will permanently forfeit such Restricted Stock Units and any right to receive Shares thereunder and such Restricted Stock Units will be returned to the Company at no cost to the Company. Participant acknowledges and agrees that the Company may refuse to deliver the Shares if such Tax-Related Items are not delivered at the time they are due.

9. Rights as Stockholder. Neither Participant, nor any person claiming under or through Participant, will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares (which may be in book entry form) will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant (including through electronic delivery to a brokerage account). After such issuance, recordation, and delivery, Participant will have all the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.
10. No Guarantee of Continued Service. PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF THE RESTRICTED STOCK UNITS PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER, WHICH UNLESS PROVIDED OTHERWISE UNDER APPLICABLE LAW IS AT THE WILL OF THE COMPANY (OR THE SERVICE RECIPIENT) AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS RESTRICTED STOCK UNIT AWARD OR ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AWARD AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE IN ANY WAY WITH PARTICIPANT'S RIGHT OR THE RIGHT OF THE COMPANY (OR THE SERVICE RECIPIENT) TO TERMINATE PARTICIPANT'S RELATIONSHIP AS A SERVICE PROVIDER, SUBJECT TO APPLICABLE LAW, WHICH TERMINATION, UNLESS PROVIDED OTHERWISE UNDER APPLICABLE LAW, MAY BE AT ANY TIME, WITH OR WITHOUT CAUSE.
11. Grant is Not Transferable. Except to the limited extent provided in Section 7, this grant and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.

12. No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan, or Participant's acquisition or sale of the underlying Shares. Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.
13. Address for Notices. Any notice to be given to the Company under the terms of this Award Agreement will be addressed to the Company at Dropbox, Inc., 1800 Owens Street, Suite 200, San Francisco, CA 94158, or at such other address as the Company may hereafter designate in writing.
14. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to the Restricted Stock Units awarded under the Plan or future Restricted Stock Units that may be awarded under the Plan by electronic means or request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through any online or electronic system established and maintained by the Company or a third party designated by the Company, now or in the future. Participant must provide the Company or any designated third party administrator with a paper copy of any documents if his or her attempted electronic delivery of such document fails.
15. No Waiver. Either party's failure to enforce any provision or provisions of this Award Agreement shall not in any way be construed as a waiver of any such provision or provisions, nor prevent that party from thereafter enforcing each and every other provision of this Award Agreement. The rights granted both parties herein are cumulative and shall not constitute a waiver of either party's right to assert all other legal remedies available to it under the circumstances.
16. Successors and Assigns. The Company may assign any of its rights under this Award Agreement to single or multiple assignees, and this Award Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Award Agreement shall be binding upon Participant and his or her heirs, executors, administrators, successors and assigns. The rights and obligations of Participant under this Award Agreement may only be assigned with the prior written consent of the Company.
17. Additional Conditions to Issuance of Stock. If at any time the Company will determine, in its discretion, that the listing, registration, qualification or rule compliance of the Shares upon any securities exchange or under any state, federal or non-U.S. law, the tax code and related regulations or under the rulings or regulations of the United States Securities and Exchange Commission or any other governmental regulatory body or the clearance, consent or approval of the United States Securities and Exchange Commission or any other governmental regulatory authority is necessary or desirable as a condition to the issuance of Shares to Participant (or his or her estate) hereunder, such issuance will not occur unless and until such listing, registration, qualification, rule compliance, clearance, consent or approval will have been completed, effected or obtained free of any conditions not acceptable to the Company. Subject to the terms of the Award Agreement and the Plan, the Company shall not be required to issue any certificate or certificates for

Shares hereunder prior to the lapse of such reasonable period of time following the date of vesting of the Restricted Stock Units as the Administrator may establish from time to time for reasons of administrative convenience.

18. Interpretation. The Administrator will have the power to interpret the Plan and this Award Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Restricted Stock Units have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company and all other interested persons. Neither the Administrator nor any person acting on behalf of the Administrator will be personally liable for any action, determination, or interpretation made in good faith with respect to the Plan or this Award Agreement.
19. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Award Agreement.
20. Amendment, Suspension or Termination of the Plan. By accepting this Award, Participant expressly warrants that he or she has received an Award of Restricted Stock Units under the Plan, and has received, read, and understood a description of the Plan. Participant understands that the Plan is discretionary in nature and may be amended, suspended or terminated by the Company at any time.
21. Modifications to the Award Agreement. This Award Agreement constitutes the entire understanding of the parties on the subjects covered. Participant expressly warrants that he or she is not accepting this Award in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Award Agreement or the Plan can be made only in an express written contract executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Award Agreement, the Company reserves the right to revise this Award Agreement as it deems necessary or advisable, in its sole discretion and without the consent of Participant, to comply with Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Section 409A in connection to this Award of Restricted Stock Units.
22. Governing Law; Venue; Severability. This Award Agreement and the Restricted Stock Units are governed by the internal substantive laws, but not the choice of law rules, of California. For purposes of litigating any dispute that arises under these Restricted Stock Units or this Award Agreement, the parties hereby submit to and consent to the jurisdiction of the State of California, and agree that such litigation will be conducted in the courts of San Francisco County, California, or the federal courts for the United States for the Northern District of California, and no other courts, where this Award Agreement is made and/or to be performed. In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Award Agreement shall continue in full force and effect.
23. Entire Agreement. The Plan is incorporated herein by reference. The Plan and this Award Agreement (including the appendices and exhibits referenced herein) constitute

the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof, and may not be modified adversely to the Participant's interest except by means of a writing signed by the Company and Participant.

24. Country Addendum. The Restricted Stock Unit grant shall be subject to any additional terms and conditions set forth in the Country Addendum for Participant's country, attached hereto as Exhibit B. Moreover, if Participant relocates to one of the countries included in the Country Addendum, if any, the terms and conditions for such country will apply to Participant to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Country Addendum constitutes part of this Award Agreement.

EXHIBIT B

COUNTRY-SPECIFIC TERMS AND CONDITIONS FOR PARTICIPANTS OUTSIDE THE U.S. (THE “COUNTRY ADDENDUM”)

Terms and Conditions

This Country Addendum includes additional terms and conditions that govern the Award of Restricted Stock Units granted to Participant under the Plan if Participant works and/or resides in one of the countries listed below. If Participant is a citizen or resident of a country (or is considered as such for local law purposes) other than the one in which he or she is currently working or if Participant relocates or transfers to another country after receiving the Award of Restricted Stock Units, or is considered a resident of another country for local law purposes, the Company will, in its discretion, determine the extent to which the terms and conditions contained herein will be applicable to Participant.

Certain capitalized terms used but not defined in this Country Addendum shall have the meanings set forth in the Plan, and/or the Notice of Restricted Stock Unit Grant and Terms and Conditions of Restricted Stock Unit Grant to which this Exhibit B is attached.

Notifications

This Country Addendum may also include information regarding certain other issues of which Participant should be aware with respect to his or her participation in the Plan. The information is based on the exchange control, securities and other laws in effect in the countries listed in this Country Addendum as of December 2020 (except as otherwise noted below). Such laws are often complex and change frequently. As a result, Participant should not rely on the information in this Country Addendum as the only source of information relating to the consequences of his or her participation in the Plan because the information may be outdated at the time Participant vests in the Restricted Stock Units and acquires Shares, or when Participant subsequently sell Shares acquired under the Plan.

In addition, the notifications are general in nature and may not apply to Participant's particular situation, and the Company is not in a position to assure Participant of any particular result. Accordingly, Participant should seek appropriate professional advice as to how the relevant laws in Participant's country may apply to Participant's situation.

Finally, if Participant is a citizen or resident of a country other than the one in which Participant is currently working and/or residing (or is considered as such for local law purposes) or if Participant moves or transfers to another country after receiving the Award of Restricted Stock Units, the information contained in this Country Addendum may not be applicable to Participant in the same manner.

**GENERAL TERMS AND CONDITIONS
FOR PARTICIPANTS OUTSIDE THE U.S.**

1. Nature of Grant. In accepting this Award, Participant acknowledges, understands, and agrees that:

- a. the vesting of the Restricted Stock Units pursuant to the vesting schedule contained in this Award Agreement is earned only by continuing as a Service Provider;
- b. the act of being hired or being granted the Restricted Stock Units will not result in vesting of the Restricted Stock Units;
- c. the Restricted Stock Units and the Notice of Grant do not constitute an express or implied promise of continued engagement as a Service Provider for the vesting period, for any period, or at all, and do not interfere in any way with Participant's right or the right of the Employer to terminate his or her relationship as a Service Provider at any time, with or without cause, subject to Applicable Laws;
- d. the Plan is established voluntarily by the Company, it is discretionary in nature and may be amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;
- e. the grant of the Restricted Stock Units is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of Restricted Stock Units, or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been granted in the past;
- f. all decisions with respect to future Restricted Stock Units or other Awards, if any, will be at the sole discretion of the Company;
- g. Participant is voluntarily participating in the Plan;
- h. the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income from and value of the same, are not intended to replace any pension rights or compensation;
- i. the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income from and value of same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, holiday pay, bonuses, long-service awards, leave-related payments, holiday top-up, pension or retirement or welfare benefits or similar payments;
- j. the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;
- k. for purposes of the Restricted Stock Units, Participant's status as a Service Provider will be considered terminated as of the date Participant is no longer actively providing services to the Company or any Subsidiary (regardless of the reason for such termination and whether or not later to be found invalid or in breach of employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant's

employment or service agreement, if any) and, unless determined by the Administrator in its discretion, will not be extended by any notice period (*e.g.*, Participant's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant's employment or service agreement, if any); the Administrator shall have the exclusive discretion to determine when Participant is no longer actively providing services for purposes of the Restricted Stock Units (including whether Participant may still be considered to be providing services while on a leave of absence and consistent with local law);

- l. unless otherwise agreed with the Company in writing, the Restricted Stock Units and the Shares underlying the Restricted Stock Units, and the income from and value of the same, are not granted as consideration for, or in connection with, the service Participant may provide as a Director or as a member of the Board of Directors of any Subsidiary of the Company;
- m. no claim or entitlement to compensation or damages shall arise from any forfeiture of the Restricted Stock Units resulting from the termination of Participant's status as a Service Provider (for any reason whatsoever, whether or not later found to be invalid or in breach of the employment laws in the jurisdiction where he or she is a Service Provider or the terms of his or her employment or service agreement, if any);
- n. unless otherwise provided in the Plan or by the Company in its discretion, the Restricted Stock Units and the benefits evidenced by this Award Agreement do not create any entitlement to have the Restricted Stock Units or any such benefits transferred to, or assumed by, another company nor be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and
- o. none of the Company, the Employer or any Subsidiary shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the Restricted Stock Units or of any amounts due to Participant pursuant to the settlement of the Restricted Stock Units or the subsequent sale of any Shares acquired upon settlement.

2. Data Privacy.

a. European Union / European Economic Area / United Kingdom

- i. Data Privacy Terms. The following data privacy terms govern the grant of Restricted Stock Units under the Plan to Participants in the European Union / European Economic Area / United Kingdom.
- ii. Data Collection and Usage. The Company and the Employer collect, process and use certain personal information about the Participant, including, but not limited to, his or her name, home address, telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all Awards granted under the Plan or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in his or her favor ("Data"), for the

purpose of implementing, administering and managing the Participant's participation in the Plan. The Company's collection, use, transfer and other processing of Participant's Data is necessary for the performance of the Plan. Therefore, the legal basis for the processing of Data is a contractual necessity. The Data must be provided in order for Participant to participate in the Plan and for the parties to this Award Agreement to perform their respective obligations thereunder. If Participant does not provide Data, he or she will not be able to participate in the Plan and become a party to this Award Agreement.

- iii. Stock Plan Administration Service Providers. The Company transfers Data to Solium Capital Inc. ("Shareworks"), an independent service provider based in Alberta, Canada which is assisting the Company with the implementation, administration and management of the Plan. The Company may select a different service provider or additional service providers and share Data with such other service providers in a similar manner. Participant may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan.
- iv. International Data Transfers. The Company and Shareworks are based in the United States and Canada, respectively. If Participant is outside the United States or Canada, Participant should note that his or her country has enacted data privacy laws that are different from the United States or Canada and that the United States and Canada might not provide a level of protection of personal data equivalent to the level of protection in Participant's country. The United States and some of these other jurisdictions have not been found by the European Commission to have adequate data protection safeguards. If the Company and the Employer transfer Data outside of the European Economic Area, the Company will take steps as required and recognized by the European Commission to provide adequate safeguards for the transferred Data. The Company and the Employer rely on Standard Contractual Clauses to transfer data.
- v. Data Retention. The Company will hold and use Data only as long as is necessary to implement, administer and manage Participant's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax, exchange control, labor and securities laws. This period may extend beyond Participant's service relationship. When the Company or the Employer no longer need Data for any of the above purposes, they will cease processing it in this context and remove it from all of their systems used for such purposes, to the fullest extent possible.
- vi. Data Subject Rights. Participant may have a number of rights under data privacy laws in his or her jurisdiction. Depending on where Participant is based, such rights may include the right to (i) request access to or copies of Data the Company processes, (ii) rectify incorrect Data, (iii) delete Data, (iv) restrict the processing of Data, (v) enjoin the portability

of Data, (vi) lodge complaints with competent authorities in Participant's jurisdiction, and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, Participant can contact his or her local human resources representative.

b. Non-European Union / European Economic Area / United Kingdom

- i. Data Privacy Terms. The following data privacy terms govern the grant of Restricted Stock Units under the Plan to Participants outside the European Union / European Economic Area / United Kingdom.
- ii. Data Collection and Usage. The Company and the Employer collect, process and use certain personal information about the Participant, including, but not limited to, his or her name, home address, telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all Awards granted under the Plan or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in his or her favor ("Data"), for the purpose of implementing, administering and managing the Participant's participation in the Plan. The legal basis, where required, for the processing of Data is the Participant's consent.
- iii. Stock Plan Administration Service Providers. The Company transfers Data to Solium Capital Inc. ("Shareworks"), an independent service provider based in Alberta, Canada which is assisting the Company with the implementation, administration and management of the Plan. The Company may select a different service provider or additional service providers and share Data with such other service providers in a similar manner. Participant may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan.
- iv. International Data Transfers. The Company and Shareworks are based in the United States and Canada, respectively. If Participant is outside the United States or Canada, Participant should note that his or her country may have enacted data privacy laws that are different from the United States or Canada and that the United States and Canada might not provide a level of protection of personal data equivalent to the level of protection in Participant's country. Participant understands that if he or she resides outside the United States, Participant may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. Participant authorizes the Company, Shareworks and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purposes implementing, administering and managing Participant's participation in the Plan.

- v. Data Retention. The Company will hold and use Data only as long as is necessary to implement, administer and manage Participant's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax, exchange control, labor and securities laws. This period may extend beyond Participant's service relationship. When the Company or the Employer no longer need Data for any of the above purposes, they will cease processing it in this context and remove it from all of their systems used for such purposes, to the fullest extent possible. Participant understands that if he or she resides in certain jurisdictions, to the extent required by Applicable Law, Participant may, at any time, request access to Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents given by accepting these Restricted Stock Units, in any case without cost, by contacting in writing his or her local human resources representative.
- vi. Voluntariness and Consequences of Consent, Denial or Withdrawal. Participation in the Plan is voluntary and Participant is providing the consents herein on a purely voluntary basis. If Participant does not consent, or if he or she later seeks to revoke the consent, Participant's compensation from or service relationship with the Employer will not be affected; the only consequence of refusing or withdrawing his or her consent is that the Company would not be able to grant Participant the Restricted Stock Units or other Awards under the Plan or administer or maintain such Awards. Therefore, Participant understands that refusing or withdrawing his or her consent may affect his or her ability to participate in the Plan (including the right to retain these Restricted Stock Units). Participant understands that he or she may contact his or her local human resources representative for more information on the consequences of his or her refusal to consent or withdrawal of consent.
- vii. Data Subject Rights. Participant may have a number of rights under data privacy laws in his or her jurisdiction. Depending on where Participant is based, such rights may include the right to (i) request access to or copies of Data the Company processes, (ii) rectify incorrect Data, (iii) delete Data, (iv) restrict the processing of Data, (v) enjoin the portability of Data, (vi) lodge complaints with competent authorities in Participant's jurisdiction, and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, Participant can contact his or her local human resources representative.
- viii. Additional Consents. Upon request of the Company or the Employer, Participant agrees to provide an executed data privacy consent form to the Company and/or the Employer (or any other agreements or consents that may be required by the Company and/or the Employer) that the Company and/or the Employer may deem necessary to obtain from Participant for the purpose of administering his or her participation in the Plan in compliance with the applicable data privacy laws, either now or

in the future. Participant understands and agrees that he or she will not be able to participate in the Plan if Participant fails to provide any such consent or agreement requested by the Company and/or the Employer.

By clicking “Accept” on the Shareworks award acceptance page or otherwise accepting this Award, Participant also provides his or her consent to the data processing practices described in this section to the extent that such consent is required by applicable law. For the avoidance of doubt, the consent provided herein shall be in addition to, and not in lieu of, any consent Participant might have previously provided to the processing of his or her personal information in the context of an agreement or Award implemented under the Plan and all such previous consent shall remain unaffected by the consent provided herein.

3. Language. By accepting this Award, Participant acknowledges and represent that he or she is proficient in the English language or has consulted with an advisor who is sufficiently proficient in English as to allow him or her to understand the terms of this Award Agreement and any other documents related to the Plan. If Participant has received this Award Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.
4. Insider Trading Restrictions/Market Abuse Laws. By accepting this Award, Participant acknowledges that he or she is bound by all the terms and conditions of the Company’s insider trading policy as may be in effect from time to time. Participant further acknowledges that, depending on Participant’s or his or her broker’s country or the country in which the Shares are listed, he or she may be subject to insider trading restrictions and/or market abuse laws which may affect Participant’s ability to accept, acquire, sell or otherwise dispose of Shares, rights to Shares (*e.g.*, Restricted Stock Units), or rights linked to the value of Shares under the Plan during such times as Participation is considered to have “inside information” regarding the Company (as defined by the laws in the applicable jurisdictions). Local insider trading laws and regulations may prohibit the cancellation or amendment or orders Participant placed before participant possessed inside information. Furthermore, Participant could be prohibited from (i) disclosing the inside information to any third party, which may include fellow employees and (ii) “tipping” third parties or causing them otherwise to buy or sell securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under the Company’s insider trading policy as may be in effect from time to time. Participant acknowledges that it is his or her responsibility to comply with any applicable restrictions, and Participant should speak to his or her personal advisor on this matter.
5. Foreign Asset/Account, Exchange Control and Tax Requirements. Depending on Participant’s country, Participant may be subject to foreign asset/account, exchange control, tax reporting or other requirements which may affect Participant’s ability to acquire or hold Restricted Stock Units or Shares under the Plan or cash received from participating in the Plan (including dividends and the proceeds arising from the sale of Shares) in a brokerage/bank account outside Participant’s country. The Applicable Laws may require that Participant report such Restricted Stock Units, Shares, accounts, assets or transactions to the applicable authorities in such country and/or repatriate funds received in connection with the Plan to Participant’s country with a certain time period or according to certain procedures. Participant acknowledges that he or she is responsible for ensuring compliance with any applicable requirements and should consult his or her personal legal advisor to ensure compliance with Applicable Laws.

COUNTRY-SPECIFIC TERMS AND CONDITIONS

AUSTRALIA

Terms and Conditions

Australia Class Order Exemption. The offer of the Restricted Stock Units is intended to comply with the provisions of the Corporations Act 2001, Australian Securities & Investments Commission (“ASIC”) Regulatory Guide 49 and ASIC Class Order CO 14/1000. Additional details are set forth in the Offer Document for the offer of Restricted Stock Units to Australian Resident Employees, which is provided to Participant with this Award Agreement.

Notifications

Tax Information. The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies (subject to the conditions in the Act).

CANADA

Terms and Conditions

Nature of Grant. This provision supplements Section 1 (“Nature of Grant”) of this Exhibit B:

For purposes of the Award, Participant’s employment relationship will be considered terminated as of the date that is the earliest of (i) the date of Participant’s termination, (ii) the date Participant receives notice of termination, or (iii) the date Participant is no longer actively providing services and will not be extended by any notice period (*e.g.*, active service would not include any contractual notice period or any period of “garden leave” or similar period mandated under Canadian laws or the terms of Participant’s employment agreement, if any); in the event that the date Participant is no longer actively providing services cannot be reasonably determined under the terms of this Award Agreement and the Plan, the Administrator shall have the exclusive discretion to determine when Participant is no longer actively providing service for purposes of the Restricted Stock Units (including whether Participant may still be considered to be providing services while on a leave of absence).

Notwithstanding the foregoing, if applicable employment standards legislation explicitly requires continued entitlement to vesting during a statutory notice period, your right to vest in the Restricted Stock Units under the Plan, if any, will terminate effective as of the last day of your minimum statutory notice period, but you will not earn or be entitled to pro-rated vesting if the vesting date falls after the end of your statutory notice period nor will you be entitled to any compensation for lost vesting.

Settlement. This provision supplements Section 4 (“Payment after Vesting”) of Exhibit A:

Notwithstanding any discretion set forth in Section 8(d) of the Plan, the Restricted Stock Units are payable in Shares only, and a grant of Restricted Stock Units does not provide any right for Participant to receive a cash payment or a combination of a cash payment and Shares.

Notifications

Securities Law Information. Participant understands he or she is permitted to sell Shares acquired through the Plan through the designated broker appointed under the Plan, if any, provided the resale of Shares acquired under the Plan takes place outside of Canada through the facilities of a stock exchange on which the Shares are listed. The Shares are currently listed on the Nasdaq Global Select Market (the “Nasdaq”).

Foreign Asset/Account Reporting Information. Canadian residents are required to report foreign specified property, including Shares and rights to receive Shares (e.g., Restricted Stock Units), on form T1135 (Foreign Income Verification Statement) if the total cost of the foreign specified property exceeds a certain threshold at any time during the year. Restricted Stock Units must be reported (generally, at a nil cost) if the cost threshold is exceeded because of other foreign specified property held by Participant. When Shares are acquired, their cost generally is the adjusted cost base (“ACB”) of the Shares. The ACB would ordinarily equal the fair market value of the Shares at the time of acquisition, but if Participant owns other Shares, this ACB may have to be averaged with the ACB of the other Shares.

FRANCE

Terms and Conditions

Language Consent. By accepting the Restricted Stock Units, Participant confirms having read and understood the Plan and this Award Agreement, which were provided in the English language. Participant accepts the terms of those documents accordingly.

Consentement Relatif à la Langue Utilisée. En acceptant ces Droits sur des Actions Assujetties à des Restrictions, le Participant confirme avoir lu et compris le Plan et le présent Contrat d’Attribution qui ont été transmis en langue anglaise. Le Participant accepte les termes et conditions de ces documents en connaissance de cause.

Notifications

Foreign Asset/Account Reporting Information. If Participant holds securities (including Shares purchased under the Plan) or maintains a foreign bank account, Participant is required to report these to the French tax authorities when filing Participant’s annual tax return.

GERMANY

Notifications

Exchange Control Information. Cross border payments in excess of €12,500 must be reported monthly to the German Federal Bank (*Bundesbank*). Participant understands that in the event he or she receives a payment in excess of this amount in connection with the sale of securities (including Shares acquired under the Plan), Participant must report the payment to Bundesbank electronically using the “General Statistics Reporting Portal” (“*Allgemeines Meldeportal Statistik*”) available via Bundesbank’s website (www.bundesbank.de).

IRELAND

There are no country-specific provisions.

ISRAEL

Terms and Conditions

The following provisions apply to Participants who are deemed to be residents of the State of Israel for tax purposes or are otherwise subject to taxation in Israel with respect to the Restricted Stock Units on the Date of Grant.

Trust Arrangement. The Restricted Stock Units and the Shares issued upon vesting or otherwise and/or any additional rights, including without limitation any right to receive any dividends or any Shares received as a result of an adjustment made under the Plan, that may be granted in connection with the Restricted Stock Units (the “Additional Rights”) shall be issued to or controlled by the Trustee for the benefit of Participant under the provisions of Section 102 pursuant to the capital gains route for at least the period stated in Section 102 of the Ordinance and the Income Tax Rules (Tax Benefits in Share Issuance to Employees) 5763-2003 (the “Rules”). In the event the Restricted Stock Units or underlying Shares do not meet the requirements of Section 102, such Restricted Stock Units and the underlying Shares shall not qualify for the favorable tax treatment under the Capital Gains Route of Section 102. The Company makes no representations or guarantees that the Restricted Stock Units will qualify for favorable tax treatment and will not be liable or responsible if favorable tax treatment is not available under Section 102. Any fees associated with any vesting, sale, transfer or any act in relation to the Restricted Stock Units shall be borne by Participant, and the Trustee, the Employer, the Company and/or any Subsidiary shall be entitled to withhold or deduct such fees from payments otherwise due to the Company, the Subsidiary, the Employer or the Trustee. In accordance with the requirements of Section 102 and the Capital Gains Route, Participant shall neither sell, nor transfer the Shares or Additional Rights from the Trustee until the end of the Required Holding Period. Notwithstanding the above, if any such sale or transfer occurs before the end of the Required Holding Period, the sanctions under Section 102 shall apply to and shall be borne by Participant.

Responsibility for Taxes. The following provision supplements Section 8 (“Tax-Related Items”) of Exhibit A:

Any and all taxes due in relation to the Restricted Stock Units and Common Stock, shall be borne solely by Participant. The Company and/or the Employer and/or any Subsidiary and/or the Trustee shall withhold taxes according to the requirements under the applicable laws, rules, and regulations, including withholding taxes at source. Furthermore, Participant agrees to indemnify the Company, the Employer and/or any Subsidiary and/or the Trustee and hold them harmless against and from any and all liability for any such tax or interest or penalty thereon, including without limitation, liabilities relating to the necessity to withhold, or to have withheld, any such tax from any payment made to Participant. The Company and/or the Employer and/or any Subsidiary and/or the Trustee, to the extent permitted by law, shall have the right to deduct from any payment otherwise due to Participant or from proceeds of the sale of the Common Stock, an amount equal to any Taxes required by law to be withheld with respect to the Common Stock. Participant will pay to the Company, the Employer any Subsidiary or the Trustee any amount of taxes that the Company or any Subsidiary or the Trustee may be required to withhold with respect to the Common Stock that cannot be satisfied by the means previously described. The Company may refuse to deliver the Common Stock if Participant fails to comply with his/her obligations in connection with the taxes as described in this section.

By accepting this Award, Participant (i) authorizes the Company to provide the Trustee with any information required for the purpose of administering the Plan including executing its obligations

according to Section 102, the trust deed and the trust agreement, including without limitation information about the Restricted Stock Units, income tax rates, salary bank account, contact details and identification number, (ii) confirms and declares that he/she is familiar with Section 102 and the regulations and rules promulgated thereunder, including without limitations the provisions of the applicable tax route under which the Restricted Stock Units were granted, and agrees to comply with such provisions, as amended from time to time, provided that if such terms are not met, Section 102 may not apply or he/she may be subject to tax at higher rates, (iii) agrees to the terms and conditions of the trust deed signed between the Trustee and the Company and/or the applicable Subsidiary, including but not limited to the control of the Restricted Stock Units and Common Stock by the Trustee, (iv) acknowledges that releasing the Common Stock from the control of the Trustee prior to the termination of the Required Holding Period constitutes a violation of the terms of Section 102 and agrees to bear the relevant sanctions.

Notifications

Securities Law Information. The Company has obtained an exemption from the requirement to file a prospectus in Israel in connection with the offer of the Restricted Stock Units. Copies of the Plan and Form S-8 registration statement for the Plan filed with the U.S. Securities and Exchange Commission are available free of charge upon request from the local human resources department.

JAPAN

Notifications

Foreign Asset/Account Reporting Information. Participant understands that if Participant holds assets outside of Japan (*e.g.*, Shares acquired under the Plan) with a total net fair market value exceeding ¥50,000,000 (or an equivalent amount in foreign currency) as of December 31 each year, Participant is required to report the details of such assets to the Japanese tax authorities by March 15th of the following year. Participant acknowledges that he or she should consult with Participant's personal tax advisor to determine Participant's personal reporting obligations.

NETHERLANDS

There are no country-specific provisions.

SINGAPORE

Terms and Conditions

Restriction on Sale of Shares. To the extent the Restricted Stock Units vest within six months of the Date of Grant, Participant may not dispose of the Shares issued upon settlement of the Restricted Stock Units, or otherwise offer the Shares to the public, prior to the six-month anniversary of the Date of Grant, unless such sale or offer is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the Securities and Futures Act (Chap. 289, 2006 Ed.) ("SFA") and in accordance with any other applicable provision of the SFA.

Notifications

Securities Law Information. The grant of Restricted Stock Units under the Plan is being made pursuant to the “Qualifying Person” exemption under section 273(1)(f) of SFA and are not made with a view to the Restricted Stock Units or the underlying Shares being subsequently offered for sale to any other party. The Plan has not been, and will not be, lodged or registered as a prospectus with the Monetary Authority of Singapore.

Director Notification Obligation. The directors, associate directors or shadow directors of a Singapore Subsidiary are subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify such entity in writing within two business days of any of the following events: (i) the acquisition or disposal of an interest (*e.g.*, Restricted Stock Units granted under the Plan or Shares) in the Company or any Subsidiary, (ii) any change in previously-disclosed interests (*e.g.*, sale of Shares), or (iii) becoming a director, associate director or shadow director of a Subsidiary in Singapore, if the individual holds such an interest at that time. These notification requirements apply regardless of whether the directors are residents of or employed in Singapore. Furthermore the above notification requirements may be determined to apply to the Chief Executive Officer (“CEO”), in which case the CEO of a Singapore Subsidiary must also comply with such notification requirements.

SWEDEN

There are no country-specific provisions.

SWITZERLAND

Notifications

Securities Law Notification. Neither this Award Agreement nor any other materials relating to the Award (1) constitute a prospectus according to articles 35 et. seq. of the Swiss Federal Act on Financial Services (“FinSA”), (2) may be publicly distributed nor otherwise made publicly available in Switzerland to any person other than an employee of the Company or a Subsidiary, or (3) have been or will be filed with, approved or supervised by any Swiss reviewing body according to article 51 of FinSA or any Swiss regulatory authority (in particular, the Swiss Financial Market Supervisory Authority (FINMA)).

UNITED KINGDOM

Terms and Conditions

Responsibility for Taxes. This provision supplements Section 8 (“Tax-Related Items”) of the Award Agreement:

Without limitation to Section 8 of the Award Agreement, Participant hereby agrees that he or she is liable for all Tax-Related Items and hereby covenants to pay all such Tax-Related Items, as and when requested by the Company or the Employer or by Her Majesty’s Revenue and Customs (“HMRC”) (or any other tax authority or any other relevant authority). Participant also agrees to indemnify and keep indemnified the Company and the Employer against any Tax-Related Items that they are required to pay or withhold or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on Participant’s behalf.

Notwithstanding the foregoing, if Participant is a director or executive officer of the Company (within the meaning of Section 13(k) of the Exchange Act), the terms of the immediately foregoing provision will not

apply. In the event that Participant is a director or executive officer and income tax is not collected from or paid by Participant within ninety (90) days of the end of the U.K. tax year in which an event giving rise to the indemnification described above occurs, the amount of any uncollected income tax may constitute a benefit to Participant on which additional income tax and national insurance contributions (“NICs”) may be payable. Participant understands that Participant will be responsible for reporting any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for paying the Company or the Employer (as applicable) for the value of any employee NICs due on this additional benefit, which the Company or the Employer may obtain from Participant by any of the means referred to in the Plan or Section 8 of the Award Agreement.

DROPBOX, INC.
CORPORATE BONUS PLAN

(As amended and restated on December 8, 2020 (the “Effective Date”))

INTRODUCTION

1. **EFFECTIVE DATE; OBJECTIVES:** This Corporate Bonus Plan (“Plan”) shall be effective as of the Effective Date, unless otherwise amended or terminated by Dropbox, Inc. (“Dropbox” or the “Company”) in accordance with the Plan. The objectives of the Plan are (1) to financially incentivize, and reward employees of the Company and its subsidiaries based upon the Company’s performance and for their individual contributions to the success of the Company and (2) to encourage employee retention. Capitalized terms shall have the meanings ascribed to them herein.
2. **ADMINISTRATION.** The Plan shall be administered by the Compensation Committee of the Company’s Board of Directors (the “Plan Administrator”), which shall have the discretionary authority to (1) determine which employees of the Company or any of its subsidiaries will be granted awards, (2) prescribe the terms and conditions of awards, (3) interpret and administer the Plan (including all terms defined herein) and the awards, and (4) adopt, interpret, amend, or revoke rules and regulations to implement the Plan, as it deems necessary. In addition, the Plan Administrator hereby delegates to the Company’s Chief Financial Officer and the Chief People Officer (or equivalent roles) (such individuals, the “Executive Administrators” and together with the Plan Administrator, the “Administrators”) the day-to-day implementation and interpretation of the Plan, including the approval of individual payouts under the Plan to employees other than Dropbox’s executive management team (“Staff”). Any Administrator may delegate all or part of its authority and powers under the Plan to one or more directors and/or officers of the Company, subject to compliance with applicable law. Notwithstanding the foregoing, the approval of the Plan Administrator shall be required for the approval of the Plan itself and any material amendments to the Plan, approval of the aggregate payout under the Plan, and approval of individual payouts under the Plan to Staff. Any action under this Plan requiring approval of the Plan Administrator may also be approved by the Company’s Board of Directors. Any action that requires the approval of the Executive Administrators must be approved unanimously, and any action that requires the approval of the Executive Administrators may instead also be approved by the Plan Administrator.
3. **PARTICIPANTS:** Unless otherwise determined by the Plan Administrator, participation in the Plan is limited to employees of Dropbox and its subsidiaries who (1) are continuously employed by Dropbox or its subsidiaries before November 1 of the applicable Performance Period through the date any bonus under this Plan is paid with respect to such Performance Period, and (2) not covered by any other performance bonus, commission, or incentive plan during the same Performance Period (“Participants”). An employee or class of employees may be considered ineligible for the Plan at any time and for any reason at the Plan Administrator’s discretion. Accordingly, an employee who is a Participant for a given Performance Period in no way is guaranteed or assured of being selected for participation in any subsequent Performance Period or Performance Periods.

4. **PLAN AMENDMENT; TERMINATION:** The Plan Administrator, in its sole discretion, may amend, modify or terminate the Plan, or any part thereof, at any time and for any reason. Any such change must be in writing. However, no modification or termination shall apply retroactively as to cause a forfeiture of an earned bonus, except as may be required by applicable law.
5. **PLAN INTERPRETATION:** In the event of a question or dispute involving the interpretation or administration of the Plan, the Plan Administrator will interpret and administer the Plan. The decision of the Plan Administrator shall be final and binding and be given the maximum deference permitted by law. All inquiries regarding the plan must be in writing to an Executive Administrator, who will forward the inquiry to the Plan Administrator for consideration and decision within 30 business days.
6. **ENTIRE AGREEMENT:** This Plan is the entire plan between Dropbox and Participants and supersedes all prior compensation or incentive plans, including the Dropbox, Inc. Amended and Restated Cash Bonus Plan, or any written or verbal representations regarding the subject matter of this Plan.

BONUS PLAN ELEMENTS

7. **BONUS POOL:** For each Performance Period, the Plan Administrator, in its sole discretion, will establish a bonus pool, which may be established before, during or after the applicable Performance Period. Notwithstanding any contrary provision of the Plan, the Plan Administrator may, in its sole discretion and at any time, increase, reduce, or eliminate the amount allocated to the bonus pool. Bonus Awards will be paid from the bonus pool subject to the terms and conditions set forth herein and any other terms and conditions established by the Plan Administrator that are not inconsistent with the terms of the plan.
8. **DISCRETION TO DETERMINE CRITERIA:** The Plan Administrator will, in its sole discretion, determine the performance goals (if any) applicable to any award (or portion thereof). The goals may be on the basis of any such factors the Plan Administrator determines relevant, and may be on an individual, divisional, business unit or Company-wide basis. Performance goals may be measured over the period of time determined by the Plan Administrator in its sole discretion. The performance goals may differ from Participant to Participant and from award to award. Failure to meet the goals will result in a failure to earn the award, except as provided herein. As determined by the Plan Administrator, the performance goals may be based on GAAP or non-GAAP results and any actual results may be adjusted by the Plan Administrator for one-time items, unbudgeted or unexpected items, acquisition-related activities or changes in applicable accounting rules when determining whether the performance goals have been met. It is within the sole discretion of the Plan Administrator to make or not make any such equitable adjustments. The Plan Administrator also may determine that an award (or portion thereof) will not have a performance goal associated with it but instead will be granted (if at all) in the sole discretion of the Plan Administrator.
9. **PERFORMANCE PERIOD:** "Performance Period" means the annual performance period or such other period of time designated by the Plan Administrator, in either case,

for the measurement of the performance criteria that must be met to receive a Bonus Award, as determined by the Plan Administrator. A Performance Period may be divided into one or more shorter periods if, for example, but not by way of limitation, the Plan Administrator desires to measure some performance criteria over 12 months and other criteria over fewer months. No Participant may participate in more than one Performance Period at any time.

10. **ELIGIBLE EARNINGS:** “Eligible Earnings” are defined as earned wages (inclusive of base salary, but exclusive of overtime) for the applicable Performance Period, prorated for hire date, any base salary changes during the calendar year, and pursuant to events set forth in Sections 15 and 16 of the Plan (proration based on the number of days in the Performance Period or, if applicable, as otherwise determined pursuant to Section 16 of the Plan, all as permitted by applicable law) that occur in such Performance Period. Eligible earnings exclude payments from the Company or any of its subsidiaries that are in addition to earned wages, including, but not limited to, payments for moving or relocation allowances, or other wages (including but not limited to bonuses or commissions).
11. **BONUS TARGET:** A Participant’s “Bonus Target” is the amount to be paid out at 100% performance achievement (which generally will be expressed as a percentage of a Participant’s Eligible Earnings for the Performance Period, but may, in the discretion of the Administrator, be express as a fixed dollar amount or such other amount or based on such other formula as the Administrator determines), which will be determined by the Administrator in its sole discretion and will be communicated in writing to the Participant.
12. **BONUS AWARD:** “Bonus Award” means as to any Performance Period, the actual award (if any) payable to a Participant for such Performance Period taking into account the Participant’s Bonus Target and achievement of the applicable performance factors for that Performance Period, subject to the authority of the Administrator hereunder. The Bonus Award may be weighted based on individual performance, divisional, business, or unit performance, and/or company performance, or any other criteria, as determined by the Administrator. The Bonus Award can exceed a Participant’s Bonus Target for a Performance Period for performance in excess of the individual performance factors, team performance factors, and/or company performance factors. The Plan Administrator reserves the right, in its sole discretion, to increase, reduce, or eliminate the amount of a Bonus Award otherwise payable to a Participant with respect to any Performance Period. The Bonus Award may be below, at or above the Bonus Target, in the Plan Administrator’s discretion. The Plan Administrator may determine the amount of any increase, reduction or elimination on the basis of such factors as it deems relevant and will not be required to establish any allocation or weighting with respect to the factors it considers.
13. **PAYMENT OF BONUS AWARD:** A Bonus Award will be paid in cash, unless otherwise determined by the Plan Administrator. A Bonus Award will be paid as soon as practicable following the completion of the applicable Performance Period, but in no event after March 15 of the calendar year immediately following the calendar year in

which the Participant's Bonus Award first becomes no longer subject to a substantial risk of forfeiture. As provided under Section 17 of the Plan, to earn a Bonus Award a Participant must be employed by the Company or its subsidiaries through the earlier of (1) March 15 of the calendar year immediately following the calendar year in which the applicable Performance Period ends or (2) the date the Bonus Award is paid (such earlier date, the "Bonus Award Vest Date"), and in all cases subject to the Administrator's authority hereunder. All Bonus Awards will be paid net of applicable withholding taxes.

14. **CLAWBACK:** Notwithstanding anything contained herein to the contrary, the bonuses paid under the Plan will be subject to the terms and conditions of any clawback policy adopted by the Company and as may be in effect from time to time, which will survive the Participant's termination of employment or service with Dropbox or any of its subsidiaries.
15. **TRANSFERS:** Participants who transfer to a new position within the Company or any of its subsidiaries not covered by this Plan and instead covered by another bonus, sales or incentive plan sponsored by the Company or its subsidiaries may be considered for a bonus under the Plan calculated on a pro-rata basis for the applicable period. The Administrator will coordinate and administer this Plan with the other bonus, sales, or incentive plan and his/her/its determinations shall be final and binding.
16. **LEAVES OF ABSENCE:** Participants on a Company-approved leave of absence may have their bonus opportunity hereunder adjusted, subject to and in accordance with the Company's leave of absence policies, and further subject to compliance with applicable law.
17. **TERMINATION OF EMPLOYMENT BEFORE PAYOUT ELIGIBILITY DATE:** Unless otherwise determined by the Administrator, a Participant whose employment with the Company or any of its subsidiaries terminates for any or no reason before the Bonus Award Vest Date of a Performance Period, whether termination is voluntary or involuntary, shall not earn a Bonus Award for such Performance Period, subject to applicable law.
18. **EMPLOYMENT AT WILL:** The employment of all U.S. Participants at Dropbox or any of its subsidiaries is for an indefinite period of time and is terminable at will, at any time by either party, with or without cause being shown or advance notice by either party. This Plan shall not be construed to create a contract of employment for a specified period of time between Dropbox or any of its subsidiaries and any U.S. Participant, or to change the at-will employment status of any U.S. Participant.
19. **GENERAL PROVISIONS:** Bonus opportunities under the Plan represent unfunded and unsecured obligations of the Company and a holder of any right hereunder in respect of any incentive payment shall have no rights other than those of a general unsecured creditor to the Company. No Participant will have the right to alienate, pledge or encumber his or her interest in this Plan, and such interest will not (to the extent permitted by law) be subject in any way to the claims of the Participant's creditors or to attachment, execution or other process of law. The validity, construction, and effect of

the Plan, any rules and regulations relating to the Plan, and any Bonus Award shall be determined in accordance with the laws of the State of California (without giving effect to principles of conflicts of laws thereof) and applicable Federal law. Bonus Awards made under the Plan are intended to be exempt from or in compliance with Section 409A of the Internal Revenue Code of 1986, as amended, and any final regulations and guidance thereunder and any applicable state law equivalent, as each may be amended or promulgated from time to time, and any ambiguities or ambiguous terms herein will be interpreted accordingly. Each payment under this Plan is intended to constitute a separate payment for purposes of Treasury Regulation Section 1.409A-2(b)(2). The Plan is intended to be a “bonus program” as defined under U.S. Department of Labor regulation 2510.3-2(c) and will be construed and administered in accordance with such intention.

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DROPOX, INC.
 2018 EQUITY INCENTIVE PLAN
 RESTRICTED STOCK AWARD AGREEMENT
NOTICE OF GRANT OF RESTRICTED STOCK

Unless otherwise defined herein, the terms defined in the Dropbox, Inc. 2018 Equity Incentive Plan (the “Plan”) will have the same defined meanings in this Restricted Stock Award Agreement which includes the Notice of Grant of Restricted Stock (the “Notice of Grant”), the Terms and Conditions of Restricted Stock Grant, attached hereto as Exhibit A, and all other exhibits, appendices, and addenda attached thereto, including the Vesting Terms attached hereto as Exhibit B and the Country-Specific Terms and Conditions for Participants Outside the U.S. in the Country Addendum attached hereto as Exhibit C (the “Country Addendum”) (the “Award Agreement”).

Participant Name: Timothy Young

Address: #####

The Participant named above has been granted the right to receive an Award of Shares of Restricted Stock, subject to the terms and conditions of the Plan and this Award Agreement, as follows:

| | |
|--|------------------|
| Grant Number: | RSA-15747 |
| Date of Grant: | December 1, 2020 |
| Vesting Commencement Date: | December 1, 2020 |
| Target Number of Shares of Restricted Stock: | 529,568 |

Subject to any acceleration provisions contained in the Plan or set forth below, the Shares of Restricted Stock will be scheduled to vest and the Company’s right to reacquire the Restricted Stock will be scheduled to lapse based upon the satisfaction of the market-based and service-based vesting conditions set forth in Exhibit B.

By accepting this Award, Participant acknowledges receipt of a copy of the Plan and agrees (i) that this Award of Restricted Stock is granted under and governed by the terms and conditions of the Plan and this Award Agreement, (ii) that Participant has reviewed the Plan and this Award Agreement in their entirety, has had an opportunity to obtain the advice of counsel, and fully understands all provisions of the Plan and this Award Agreement, (iii) to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any

questions relating to the Plan and Award Agreement, and (iv) to notify Dropbox, Inc. (the “Company”) upon any change in the residence address indicated below.

By clicking “Accept” on the Shareworks award acceptance page, Participant is providing his or her acceptance of this Award and his or her agreement with all terms and conditions of the Award, as set forth in the Plan and this Award Agreement.

In addition, if Participant resides in Canada, Germany, Japan, Singapore, Sweden, the United Kingdom, or the United States and does not wish to receive this Award and/or does not consent and agree to the terms and conditions on which the Award is offered, as set forth in the Plan and this Award Agreement, then Participant must reject this Award by notifying the Company at Dropbox, Inc., Attention: Stock Administration, 1800 Owens Street, Suite 200, San Francisco, CA 94158 no later than **30 days following the Date of Grant**, in which case the Award will be cancelled. Participant’s failure to notify the Company of his or her rejection of the Award within this specified period will constitute the Participant’s acceptance of this Award and his or her agreement with all terms and conditions of the Award, as set forth in the Plan and this Award Agreement.

PARTICIPANT

DROPBOX, INC.

/s/ Timothy Young

/s/ Bart Volkmer

Signature

Signature

Timothy Young

Bart Volkmer

Print Name

Print Name

Chief Legal Officer

Title

EXHIBIT A
TERMS AND CONDITIONS OF RESTRICTED STOCK GRANT

1. **Grant of Shares of Restricted Stock.** The Company hereby grants to the individual (“Participant”) named in the Notice of Grant of Restricted Stock of this Award Agreement (the “Notice of Grant”) under the Plan an Award of Shares of Restricted Stock, subject to the terms and conditions of this Award Agreement and the Plan, which is incorporated herein by reference. Subject to Section 19(c) of the Plan, in the event of a conflict between the terms and conditions of the Plan and this Award Agreement, the terms and conditions of the Plan shall prevail.
2. **Vesting Schedule.** Except as provided in Section 3 and subject to Sections 4 and 7, the Shares of Restricted Stock awarded by this Award Agreement will vest in accordance with the vesting provisions set forth in the Notice of Grant. Shares of Restricted Stock scheduled to vest on a certain date or upon the occurrence of a certain condition will not vest in accordance with any of the provisions of this Award Agreement, unless Participant will have been continuously a Service Provider from the Date of Grant until the date such vesting occurs.
3. **Administrator Discretion.** The Administrator, in its discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested Shares of Restricted Stock subject to this Award Agreement at any time, subject to the terms of the Plan. If so accelerated, such Shares of Restricted Stock will be considered as having vested as of the date specified by the Administrator.
4. **Forfeiture Upon Termination as a Service Provider.** Unless specifically provided otherwise in this Award Agreement or other written agreement between Participant and the Company or any of its Subsidiaries or Parents, as applicable, the balance of the Shares of Restricted Stock that have not vested as of the time Participant ceases to be a Service Provider for any or no reason will be forfeited and automatically transferred to and reacquired by the Company at no cost to the Company upon the date of such termination and Participant will have no further rights thereunder. Participant will not be entitled to a refund of the price paid for the Shares of Restricted Stock, if any, returned to the Company pursuant to this Section 4. Participant hereby appoints the Escrow Agent with full power of substitution, as Participant’s true and lawful attorney-in-fact with irrevocable power and authority in the name and on behalf of Participant to take any action and execute all documents and instruments, including, without limitation, stock powers which may be necessary to transfer the certificate or certificates evidencing such unvested Shares to the Company upon such termination of service.
5. **Tax Consequences.** Participant has reviewed with his or her own tax advisors the U.S. federal, state, local and non-U.S. tax consequences of this investment and the transactions contemplated by this Award Agreement. With respect to such matters, Participant relies solely on such advisors and not on any statements or representations of the Company or any of its agents, written or oral. Participant understands that Participant (and not the Company) shall be solely responsible for Participant’s own Tax-Related Items (as defined

in Section 7 below) that may arise as a result of this investment or the transactions contemplated by this Award Agreement.

6. Death of Participant. Any distribution or delivery to be made to Participant under this Award Agreement will, if Participant is then deceased, be made to Participant's designated beneficiary, provided such designation is valid under Applicable Laws, or if no beneficiary survives Participant, the administrator or executor of Participant's estate. Any such transferee must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.
7. Tax-Related Items
 - a. Responsibility for Taxes. Participant acknowledges that, regardless of any action taken by the Company or, if different, Participant's employer (the "Employer") or any Parent or Subsidiary to which Participant is providing services (together, the "Service Recipients"), the ultimate liability for any tax and/or social insurance liability obligations and requirements in connection with the Shares of Restricted Stock, including, without limitation, (i) all federal, state, and local taxes (including Participant's Federal Insurance Contributions Act (FICA) obligations) that are required to be withheld by any Service Recipient or other payment of tax-related items related to Participant's participation in the Plan and legally applicable to Participant, (ii) Participant's and, to the extent required by any Service Recipient, the Service Recipient's fringe benefit tax liability, if any, associated with the grant, vesting, or release from escrow of the Shares of Restricted Stock, the filing of an election under Section 83(b) of the Code (the "83(b) Election") with respect to the Shares of Restricted Stock, or the sale of Shares, and (iii) any other Service Recipient taxes the responsibility for which Participant has, or has agreed to bear, with respect to the Shares of Restricted Stock (or exercise thereof or issuance of Shares thereunder) (collectively, the "Tax-Related Items"), is and remains Participant's sole responsibility and may exceed the amount actually withheld by the applicable Service Recipient(s). Participant further acknowledges that no Service Recipient (A) makes any representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Shares of Restricted Stock, including, but not limited to, the grant, vesting or release from escrow of the Shares of Restricted Stock, the filing of an 83(b) Election with respect to the Shares of Restricted Stock, the subsequent sale of Shares acquired pursuant to this Award Agreement and the receipt of any dividends or other distributions (subject to Section 12(f)), and (B) makes any commitment to and is under any obligation to structure the terms of the grant or any aspect of the Shares of Restricted Stock to reduce or eliminate Participant's liability for Tax-Related Items or achieve any particular tax result. Participant understands that Section 83 of the Code taxes as ordinary income the difference between the purchase price, if any, for the Shares and the Fair Market Value of the Shares as of each vesting date. If Participant is a U.S. taxpayer, Participant understands that Participant may elect, for purposes of U.S. tax law, to be taxed at the time the Shares are granted rather than when such

Shares vest by filing an 83(b) Election with the IRS within thirty (30) days from the date of grant of the Restricted Stock Award.

- b. Tax Withholding. Notwithstanding any contrary provision of this Award Agreement, no certificate representing the Shares of Restricted Stock may be released from the escrow established pursuant to Section 12, unless and until satisfactory arrangements (as determined by the Administrator) will have been made by Participant with respect to the payment of all Tax-Related Items. When Shares of Restricted Stock are vested, Participant generally will recognize immediate U.S. taxable income if Participant is a U.S. taxpayer. If Participant is a non-U.S. taxpayer, Participant will be subject to applicable taxes in his or her jurisdiction. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit Participant to satisfy such Tax-Related Items, in whole or in part (without limitation), if permissible by applicable local law, by (i) requiring Participant to make a payment in a form acceptable to the Company, (ii) withholding in Shares to be released from the escrow established pursuant to Section 12, (iii) withholding from Participant's wages or other cash compensation paid to Participant by the Company and/or the Service Recipient, (iv) delivering to the Company already vested and owned Shares having a fair market value equal to such Tax-Related Items, or (v) withholding from proceeds of the sale of Shares released from the escrow established pursuant to Section 12 either through a voluntary sale or through a mandatory sale arranged by the Company (on Participant's behalf pursuant to this authorization without further consent). To the extent determined appropriate by the Company in its discretion, it will have the right (but not the obligation) to satisfy any Tax-Related Items by reducing the number of Shares otherwise deliverable to Participant and, until determined otherwise by the Company, this will be the method by which such Tax-Related Items are satisfied. The Company may withhold or account for Tax-Related Items by considering statutory or other withholding rates, including minimum or maximum rates applicable in Participant's jurisdiction(s). Further, if Participant is subject to tax in more than one jurisdiction between the Date of Grant and a date of any relevant taxable or tax withholding event, as applicable, Participant acknowledges and agrees that the Company and/or the Service Recipient (and/or former employer, as applicable) may be required to withhold or account for tax in more than one jurisdiction. If Participant fails to make satisfactory arrangements for the payment of such Tax-Related Items hereunder at the time of the applicable tax event for any Shares, Participant will permanently forfeit such Shares, and such Shares will be returned to the Company at no cost to the Company.
- c. No Representations. Participant has reviewed with his or her own tax advisers the U.S. federal, state, local and non-U.S. tax consequences investment and the transactions contemplated by this Award Agreement. With respect to such matters, Participant relies solely on such advisers and not on any statements or representations of the Company or any of its agents, written or oral. Participant understands that Participant (and not the Company) shall be responsible for

Participant's own tax liability that may arise as a result of this investment or the transactions contemplated by this Award Agreement.

- d. Company's Obligation to Release Shares. For clarification purposes, in no event will the Company release Shares from the escrow established pursuant to Section 12 unless and until arrangements satisfactory to the Administrator have been made for the payment of Participant's Tax Withholding Obligation. If Participant fails to make satisfactory arrangements for the payment of such Tax Withholding Obligations hereunder at the time any applicable Shares of Restricted Stock otherwise are scheduled to vest pursuant to Sections 2 or 3, at the time Participant's Tax Withholding Obligations otherwise become due, Participant will permanently forfeit such Shares of Restricted Stock to which Participant's Tax Withholding Obligation relates and any right to receive Shares thereunder and such Shares of Restricted Stock will be returned to the Company at no cost to the Company.
8. Rights as Stockholder. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares (which may be in book entry form) will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant (including through electronic delivery to a brokerage account) or the Escrow Agent. Except as provided in Section 12(f), after such issuance, recordation and delivery, Participant will have all the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.
9. No Guarantee of Continued Service. PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF THE SHARES OF RESTRICTED STOCK PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER, WHICH UNLESS PROVIDED OTHERWISE UNDER APPLICABLE LAW IS AT THE WILL OF THE APPLICABLE SERVICE RECIPIENT, AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS RESTRICTED STOCK AWARD OR ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AWARD AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE IN ANY WAY WITH PARTICIPANT'S RIGHT OR THE RIGHT OF ANY SERVICE RECIPIENT TO TERMINATE PARTICIPANT'S RELATIONSHIP AS A SERVICE PROVIDER, SUBJECT TO APPLICABLE LAW, WHICH TERMINATION, UNLESS PROVIDED OTHERWISE UNDER APPLICABLE LAW, MAY BE AT ANY TIME, WITH OR WITHOUT CAUSE.
10. Grant is Not Transferable. Except for the escrow described in Section 12 or transfer of the Shares to the Company or its assignees contemplated by this Award Agreement, and

except to the limited extent provided in Section 6, the unvested Shares subject to this Award Agreement and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process until such Shares shall have vested in accordance with the provisions of this Award Agreement. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of the unvested Shares subject to this Award Agreement, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, the then-unvested Shares of Restricted Stock will thereupon be forfeited at no cost to the Company and Participant will have no further rights thereunder.

11. No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan, or Participant's acquisition or sale of the underlying Shares. Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

12. Escrow of Shares.

- a. All Shares of Restricted Stock will, upon execution of this Award Agreement, be delivered and deposited with an escrow holder designated by the Company (the "Escrow Holder"). The Shares of Restricted Stock will be held by the Escrow Holder until such time as the Shares of Restricted Stock vest or the date Participant ceases to be a Service Provider.
- b. The Escrow Holder will not be liable for any act it may do or omit to do with respect to holding the Shares of Restricted Stock in escrow and while acting in good faith and in the exercise of its judgment.
- c. Upon Participant ceasing to be a Service Provider for any reason, the Escrow Holder, upon receipt of written notice of such termination, will take all steps necessary to accomplish the transfer of the unvested Shares of Restricted Stock to the Company. Participant hereby appoints the Escrow Holder with full power of substitution, as Participant's true and lawful attorney-in-fact with irrevocable power and authority in the name and on behalf of Participant to take any action and execute all documents and instruments, including, without limitation, stock powers which may be necessary to transfer the certificate or certificates evidencing such unvested Shares of Restricted Stock to the Company upon such termination.
- d. The Escrow Holder will take all steps necessary to accomplish the transfer of Shares of Restricted Stock to Participant after they vest following Participant's request that the Escrow Holder do so.
- e. Subject to the terms hereof, Participant shall have all the rights of a stockholder with respect to such Shares while they are held in escrow, including without

limitation, the right to vote the Shares and receive any cash dividends declared thereon (subject to subsection (f) below).

- f. In the event of any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares, the Shares of Restricted Stock will be increased, reduced or otherwise changed, and by virtue of any such change Participant will in his or her capacity as owner of unvested Shares of Restricted Stock be entitled to new or additional or different shares of stock, cash or securities (other than rights or warrants to purchase securities); such new or additional or different shares, cash or securities will thereupon be considered to be unvested Shares of Restricted Stock and will be subject to all of the conditions and restrictions which were applicable to the unvested Shares of Restricted Stock pursuant to this Award Agreement. If Participant receives rights or warrants with respect to any unvested Shares of Restricted Stock, such rights or warrants may be held or exercised by Participant, provided that until such exercise any such rights or warrants and after such exercise any shares or other securities acquired by the exercise of such rights or warrants will be considered to be unvested Shares of Restricted Stock and will be subject to all of the conditions and restrictions which were applicable to the unvested Shares of Restricted Stock pursuant to this Award Agreement. The Administrator in its absolute discretion at any time may accelerate the vesting of all or any portion of such new or additional shares of stock, cash or securities, rights or warrants to purchase securities or shares or other securities acquired by the exercise of such rights or warrants.

- g. The Company may instruct the transfer agent for its Common Stock to place a legend on the certificates representing the Restricted Stock or otherwise note its records as to the restrictions on transfer set forth in this Award Agreement.

13. Address for Notices. Any notice to be given to the Company under the terms of this Award Agreement will be addressed to the Company at Dropbox, Inc., 1800 Owens Street, Suite 200, San Francisco, CA 94158, or at such other address as the Company may hereafter designate in writing.

14. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to the Shares of Restricted Stock awarded under the Plan or future Shares of Restricted Stock that may be awarded under the Plan by electronic means or request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through any online or electronic system established and maintained by the Company or a third party designated by the Company, now or in the future. Participant must provide the Company or any designated third party administrator with a paper copy of any documents if his or her attempted electronic delivery of such document fails.

15. No Waiver. Either party's failure to enforce any provision or provisions of this Award Agreement shall not in any way be construed as a waiver of any such provision or provisions, nor prevent that party from thereafter enforcing each and every other provision of this Award Agreement. The rights granted both parties herein are cumulative and shall not constitute a waiver of either party's right to assert all other legal remedies available to it under the circumstances.
16. Successors and Assigns. The Company may assign any of its rights under this Award Agreement to single or multiple assignees, and this Award Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Award Agreement shall be binding upon Participant and his or her heirs, executors, administrators, successors and assigns. The rights and obligations of Participant under this Award Agreement may be assigned only with the prior written consent of the Company.
17. Additional Conditions to Issuance of Stock. If at any time the Company will determine, in its discretion, that the listing, registration, qualification or rule compliance of the Shares upon any securities exchange or under any state, federal or non-U.S. law, the tax code and related regulations or under the rulings or regulations of the United States Securities and Exchange Commission or any other governmental regulatory body or the clearance, consent or approval of the United States Securities and Exchange Commission or any other governmental regulatory authority is necessary or desirable as a condition to the issuance of Shares to Participant (or his or her estate) or the Escrow Holder hereunder, such issuance will not occur unless and until such listing, registration, qualification, rule compliance, clearance, consent or approval will have been completed, effected or obtained free of any conditions not acceptable to the Company. Subject to the terms of the Award Agreement and the Plan, the Company shall not be required to issue any certificate or certificates for (or make any entry on the books of the Company or of a duly authorized transfer agent of the Company of) Shares hereunder prior to the lapse of such reasonable period of time following the Date of Grant of the Shares of Restricted Stock as the Administrator may establish from time to time for reasons of administrative convenience.
18. Interpretation. The Administrator will have the power to interpret the Plan and this Award Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Shares of Restricted Stock have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company and all other interested persons. Neither the Administrator nor any person acting on behalf of the Administrator will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Award Agreement.
19. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Award Agreement.

20. Amendment, Suspension or Termination of the Plan. By accepting this Award, Participant expressly warrants that he or she has received an Award of Restricted Stock under the Plan, and has received, read and understood a description of the Plan. Participant understands that the Plan is discretionary in nature and may be amended, suspended or terminated by the Administrator at any time.
21. Modifications to the Award Agreement. This Award Agreement constitutes the entire understanding of the parties on the subjects covered. Participant expressly warrants that he or she is not accepting this Award in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Award Agreement or the Plan can be made only in an express written contract executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Award Agreement, the Company reserves the right to revise this Award Agreement as it deems necessary or advisable, in its sole discretion and without the consent of Participant, to comply with Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Section 409A in connection with this Award of Shares of Restricted Stock.
22. Governing Law; Venue; Severability. This Award Agreement and the Shares of Restricted Stock are governed by the internal substantive laws, but not the choice of law rules, of California. For purposes of litigating any dispute that arises under this Restricted Stock Award or this Award Agreement, the parties hereby submit to and consent to the jurisdiction of the State of California, and agree that such litigation will be conducted in the courts of San Francisco County, California, or the United States federal courts for the Northern District of California, and no other courts, where this Award Agreement is made and/or to be performed. In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Award Agreement shall continue in full force and effect.
23. Entire Agreement. The Plan is incorporated herein by this reference. The Plan and this Award Agreement (including the appendices and exhibits referenced herein) constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof, and may not be modified adversely to the Participant's interest except by means of a writing signed by the Company and Participant.
24. Country Addendum. The Restricted Stock grant shall be subject to any additional terms and conditions set forth in the Country Addendum for Participant's country, attached hereto as Exhibit C. Moreover, if Participant relocates to one of the countries included in the Country Addendum, if any, the terms and conditions for such country will apply to Participant to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Country Addendum constitutes part of this Award Agreement.

EXHIBIT B
VESTING TERMS

1. **Market-Based Condition.** The Target Number of Shares of Restricted Stock (the “Target Shares”) shall be allocated into three separate tranches (each, a “Grant Tranche”) as follows:
 - a. 1/3rd of the Target Number of Shares of Restricted Stock will be allocated to the First Measurement Period (the “First Grant Tranche”);
 - b. 1/3rd of the Target Number of Shares of Restricted Stock will be allocated to the Second Measurement Period (the “Second Grant Tranche”); and
 - c. 1/3rd of the Target Number of Shares of Restricted Stock will be allocated to the Third Measurement Period (the “Third Grant Tranche”).

If the Target Shares are not evenly divisible into the three Grant Tranches, then any fractional number of Target Shares that would otherwise be allocated to a Grant Tranche shall be allocated to the next Grant Tranche, until the fractional number of Target Shares sum to a whole Target Share.

The actual number of Shares subject to each Grant Tranche that will vest will be determined based upon the achievement of Company Stock Price Target(s) during the applicable Measurement Period and the satisfaction of the applicable service-based vesting conditions, all in accordance with this **Exhibit B**.

2. **Company Stock Price.** Except as set forth in Sections 3 through 5 of this **Exhibit B**, on each trading day that a Company Stock Price Target in the table below (the “Table”) is achieved during a Measurement Period (each, an “Achievement Date”), a number of Shares subject to the Grant Tranche for that Measurement Period will become eligible to vest (such Shares, the “Eligible Shares”) equal to (a) the product of (x) the Target Shares allocated to that Grant Tranche multiplied by (y) the percentage indicated in the “Multiplier” column of the Table that corresponds to such Company Stock Price Target that was achieved (rounded to the nearest whole Share), minus (b) the number of Shares subject to the Grant Tranche that already became Eligible Shares upon the achievement of any lower Company Stock Price Target (if any). Such Eligible Shares will vest (a) in full on the applicable Vesting Date subject to Participant satisfying the Service Condition through such date, or (b) to the extent provided under Sections 4 or 5. Except in connection with a Change in Control as set forth in Section 5 of this Exhibit B, no partial achievement will occur and no Shares will become Eligible Shares for achievement between two Company Stock Price Targets. For the avoidance of doubt, (a) more than one Company Stock Price Target may be achieved on a particular Achievement Date (which will result in the cumulative number of Eligible Shares for the applicable Grant Tranche being equal to the product obtained by multiplying (x) the Target Shares allocated to that Grant Tranche multiplied by (y) the percentage indicated in the “Multiplier” column of the Table that corresponds to the highest Company Stock Price Target that was achieved on such date), and (b) each Company Stock Price Target may only be achieved once during a Measurement Period (such that once any Share subject to

the Award has become an Eligible Share, no decrease in the Company Stock Price will cause such Share to cease to be an Eligible Share).

| First Grant Tranche | |
|------------------------------------|-------------------|
| Company Stock Price Target* | Multiplier |
| Less than \$10.00 | 0% |
| \$10.00 | 25% |
| \$15.00 | 50% |
| \$20.00 | 100% |
| \$25.00 | 150% |
| \$30.00 | 200% |
| \$35.00 | 250% |
| \$40.00 | 300% |
| Second Grant Tranche | |
| Company Stock Price Target* | Multiplier |
| Less than \$10.00 | 0% |
| \$10.00 | 25% |
| \$15.00 | 50% |
| \$21.50 | 100% |
| \$25.00 | 150% |
| \$30.00 | 200% |
| \$35.00 | 250% |
| \$40.00 | 300% |
| Third Grant Tranche | |
| Company Stock Price Target* | Multiplier |
| Less than \$10.00 | 0% |
| \$10.00 | 25% |
| \$15.00 | 50% |
| \$23.50 | 100% |
| \$25.00 | 150% |
| \$30.00 | 200% |
| \$35.00 | 250% |
| \$40.00 | 300% |

* In order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under this Award Agreement, the Administrator shall make appropriate adjustments to the Company Stock Price Targets to reflect any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares.

For example, assume (i) the Company Stock Price as of February 15, 2021 is \$10.10 and (ii) the Company Stock Price as of April 15, 2021 is \$17.50. February 15, 2021 would be the first Achievement Date, which would result in 25% of the First Grant Tranche Target Shares becoming Eligible Shares. April 15, 2021 would be an Achievement Date that results in an additional 25% of the First Grant Tranche Target Shares becoming Eligible Shares (equal to (x) the 50% of the First Grant Tranche Target Shares that corresponds to the \$15.00 Company Stock Price Target minus (y) the 25% of the First Grant Tranche Target Shares that had previously become Eligible Shares). Such Eligible Shares would vest (a) in full on the Vesting Date of the First Grant Tranche (February 15, 2022) subject to Participant satisfying the Service Condition through such date, or (b) to the extent provided under Sections 4 or 5.

3. Service Condition and Forfeiture. Except as otherwise provided in Sections 4 or 5, (a) in order for any Shares hereunder to become Eligible Shares, Participant must have continuously satisfied the Service Condition through the applicable Achievement Date, and (b) in order for any Eligible Shares to vest, Participant must satisfy the Service Condition through the applicable Vesting Date. Upon the end of each Measurement Period, any Shares subject to this Award that may no longer become Eligible Shares due to the failure to achieve the applicable Company Stock Price Target will be immediately forfeited and returned to the Company, and Participant will have no further rights with respect to such Shares.
4. Qualified Termination.
 - a. Non-CIC Qualified Termination. If Participant experiences a Non-CIC Qualified Termination (as defined in the Severance Agreement) after the commencement of a Measurement Period but prior to the Vesting Date of the Grant Tranche relating to such Measurement Period, then 25% of the number of Shares allocated to such Grant Tranche that became Eligible Shares prior to the date of the Non-CIC Qualified Termination or any portion of the Grant Tranche would have become Eligible Shares had Participant remained employed by the Company through the end of the Measurement Period (or if a Change in Control occurs prior to the end of the Measurement Period, through the date of the Change in Control) based on the actual achievement of the Company Stock Price Targets for such Measurement Period will vest on the Vesting Date immediately following the completion of such Measurement Period (or, if earlier, immediately prior to a Change in Control), subject to Participant satisfying the conditions set forth in Section 5 of the Severance Agreement. For the avoidance of doubt, notwithstanding anything in the Severance Agreement to the contrary, the equity vesting benefits under Sections 3(a)(iii) of the Severance Agreement will not apply to any of the Shares subject to the Award.
 - b. CIC Qualified Termination. If Participant experiences a CIC Qualified Termination (as defined in the Severance Agreement) prior to the Vesting Date of a Grant Tranche, then the number of Shares allocated to such Grant Tranche that are Eligible Shares and that will vest as of immediately prior to the Change in Control will be determined pursuant to Section 5 of this Exhibit B as if Participant had remained employed by the Company through the date of the Change in

Control, subject to Participant satisfying the conditions set forth in Section 5 of the Severance Agreement. For the avoidance of doubt, notwithstanding anything in the Severance Agreement to the contrary, the equity vesting benefits under Sections 3(b)(iv) of the Severance Agreement will not apply to any of the Shares subject to the Award.

5. Change in Control. If a Change in Control occurs prior to the Vesting Date of a Grant Tranche and Participant satisfies the Service Condition through the date of the Change in Control, then the following rules will apply.
- a. If the Measurement Period for such Grant Tranche has not yet ended:
 - i. Immediately prior to the Change in Control, rather than applying the definition of “Company Stock Price” below, “Company Stock Price” instead will mean the Per Share Deal Price. “Per Share Deal Price” means the value of the total amount of consideration received or potentially receivable for a Share by holders of the Company’s Class A Common Stock in connection with the Change in Control. The value of any non-cash consideration will be determined in good faith by the Administrator.
 - ii. After determining the Company Stock Price under Section 5(a)(i) of this Exhibit B, the same rules under the Table apply in determining whether any additional Company Stock Price Targets are achieved and additional Shares subject to this Award will become Eligible Shares; provided, however, that if Company Stock Price as determined under Section 5(a)(i) of this Exhibit B is greater than \$25.00 but falls between two Company Stock Price Targets set forth in the Table, an additional number of Shares subject to the Grant Tranche will become Eligible Shares equal to (a) the product obtained by multiplying (x) the Target Shares allocated to the Grant Tranche multiplied by (y) the percentage determined based on a linear interpolation between (A) the percentage indicated in the “Multiplier” column of the Table that corresponds to the Company Stock Price Target in the Table that is greater than but closest to the Company Stock Price determined under Section 5(a)(i) of this Exhibit B and (B) the percentage indicated in the “Multiplier” column of the Table that corresponds to the Company Stock Price Target in the Table that is less than but closest to the actual Company Stock Price determined under Section 5(a)(i) of this Exhibit B (rounded to the nearest whole Share), minus (b) the number of Shares subject to the Grant Tranche that already became Eligible Shares upon the achievement of any lower Company Stock Price Target (if any).
 - b. After applying the rules in Section 5(a) of this Exhibit B (if applicable), all Eligible Shares (including any Shares that become Eligible Shares under Section 5(a) of this Exhibit B) will vest as of immediately prior to the Change in Control.

For example, assume (i) the Company Stock Price as of February 15, 2021 is \$10.10 and (ii) there is a Change in Control on July 1, 2021 for a Per Share Deal Price of \$27.50. February 15, 2021 would be the first Achievement Date, which would result in 25% of the First Grant Tranche Target Shares becoming Eligible Shares. Due to the Change in Control, the Company

Stock Price would be equal to the Per Share Deal Price (\$27.50), which would result in (i) an additional 150% of the First Grant Tranche Target Shares becoming Eligible Shares (equal to (x) the 175% of the First Grant Tranche Target Shares determined under clause (a) of Section 4(a)(ii) of this Exhibit B minus (y) the 25% of the First Grant Tranche Target Shares that had previously become Eligible Shares) and (ii) 175% of the Second Grant Tranche Target Shares and 175% of the Third Grant Tranche Target Shares becoming Eligible Shares. All of such Eligible Shares would vest as of immediately prior to the Change in Control.

6. Definitions.

- a. “Company Stock Price” means the weighted average closing price of a Share as reported on a Securities Exchange for any thirty (30) consecutive trading day period occurring within a Measurement Period.
- b. “Company Stock Price Target” means each Company Stock Price set forth in the Table.
- c. “Measurement Period” means each of the following periods:
 - i. the period (a) commencing on January 1, 2021, and (b) ending on December 31, 2021 (the “First Measurement Period” and the Shares subject to the Award covered by the First Measurement Period, the “First Grant Tranche”);
 - ii. the period (a) commencing on January 1, 2022, and (b) ending on December 31, 2022 (the “Second Measurement Period” and the Shares subject to the Award covered by the Second Measurement Period, the “Second Grant Tranche”); and
 - iii. the period (a) commencing on January 1, 2023, and (b) ending on December 31, 2023 (the “Third Measurement Period” and the Shares subject to the Award covered by the Third Measurement Period, the “Third Grant Tranche”).
- d. “Quarterly Vesting Date” means each of February 15, May 15, August 15, and November 15.
- e. “Securities Exchange” means an established national securities exchange or automated quotation system (e.g., the New York Stock Exchange, The Nasdaq Global Select Market, or The Nasdaq Global Market).
- f. “Service Condition” means Participant continuously remaining a Service Provider.
- g. “Severance Agreement” means the Change in Control and Severance Agreement by and between the Company and Participant dated January 14, 2020.
- h. “Vesting Date” means the first Quarterly Vesting Date to occur following the end of each Measurement Period.

EXHIBIT C
COUNTRY-SPECIFIC TERMS AND
CONDITIONS FOR PARTICIPANTS OUTSIDE
THE U.S. (THE “COUNTRY ADDENDUM”)

Terms and Conditions

This Country Addendum includes additional terms and conditions that govern the Award of Restricted Stock granted to Participant under the Plan if Participant works and/or resides in one of the countries listed below. If Participant is a citizen or resident of a country (or is considered as such for local law purposes) other than the one in which he or she is currently working or if Participant relocates or transfers to another country after receiving the Award of Restricted Stock, or is considered a resident of another country for local law purposes, the Company will, in its discretion, determine the extent to which the terms and conditions contained herein will be applicable to Participant.

Certain capitalized terms used but not defined in this Country Addendum shall have the meanings set forth in the Plan, and/or the Notice of Grant of Restricted Stock and Terms and Conditions of Restricted Stock Grant to which this Exhibit C is attached.

Notifications

This Country Addendum may also include information regarding certain other issues of which Participant should be aware with respect to his or her participation in the Plan. The information is based on the exchange control, securities and other laws in effect in the countries listed in this Country Addendum as of January 2020 (except as otherwise noted below). Such laws are often complex and change frequently. As a result, Participant should not rely on the information in this Country Addendum as the only source of information relating to the consequences of his or her participation in the Plan because the information may be outdated at the time of the applicable tax event with respect to the Shares of Restricted Stock, or when Participant subsequently sells Shares acquired under the Plan.

In addition, the notifications are general in nature and may not apply to Participant’s particular situation, and the Company is not in a position to assure Participant of any particular result. Accordingly, Participant should seek appropriate professional advice as to how the relevant laws in Participant’s country may apply to Participant’s situation.

Finally, if Participant is a citizen or resident of a country other than the one in which Participant is currently working and/or residing (or is considered as such for local law purposes) or if Participant moves or transfers to another country after receiving the Award of Restricted Stock, the information contained in this Country Addendum may not be applicable to Participant in the same manner.

**GENERAL TERMS AND CONDITIONS
FOR PARTICIPANTS OUTSIDE THE U.S.**

1. Nature of Grant. In accepting this Award, Participant acknowledges, understands and agrees that:
 - a. the vesting of the Shares of Restricted Stock pursuant to the vesting schedule contained in this Award Agreement is earned only by continuing as a Service Provider;
 - b. the act of being hired or being granted the Shares of Restricted Stock will not result in vesting of such Shares;
 - c. the Shares of Restricted Stock and the Notice of Grant do not constitute an express or implied promise of continued engagement as a Service Provider for the vesting period, for any period, or at all, and do not interfere in any way with Participant's right or the right of the Employer to terminate his or her relationship as a Service Provider at any time, with or without cause, subject to Applicable Laws;
 - d. the Plan is established voluntarily by the Company, it is discretionary in nature and may be amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;
 - e. the grant of the Shares of Restricted Stock is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of Restricted Stock, or benefits in lieu of Restricted Stock, even if Shares of Restricted Stock have been granted in the past;
 - f. all decisions with respect to future Awards of Restricted Stock or other Awards, if any, will be at the sole discretion of the Company;
 - g. Participant is voluntarily participating in the Plan;
 - h. the Shares of Restricted Stock, and the income from and value of the same, are not intended to replace any pension rights or compensation;
 - i. the Shares of Restricted Stock, and the income and value of same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, holiday pay, bonuses, long-service awards, leave-related payments, holiday top-up, pension or retirement or welfare benefits or similar payments;
 - j. the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;
 - k. for purposes of the Shares of Restricted Stock, Participant's status as a Service Provider will be considered terminated as of the date Participant is no longer

actively providing services to the Company or any Subsidiary (regardless of the reason for such termination and whether or not later to be found invalid or in breach of employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant's employment or service agreement, if any) and, unless otherwise expressly provided in this Award Agreement (including by reference in the Notice of Grant to other arrangements or contracts) or determined by the Administrator in its discretion, will not be extended by any notice period (e.g., Participant's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant's employment or service agreement, if any); the Administrator shall have the exclusive discretion to determine when Participant is no longer actively providing services for purposes of the Shares of Restricted Stock (including whether Participant may still be considered to be providing services while on a leave of absence and consistent with local law);

- l. unless otherwise agreed with the Company, the Shares of Restricted Stock, and the income and value of the same, are not granted as consideration for, or in connection with, the service Participant may provide as a Director or as a member of the Board of Directors of any Subsidiary of the Company;
- m. no claim or entitlement to compensation or damages shall arise from any forfeiture of the Shares of Restricted Stock resulting from the termination of Participant's status as a Service Provider (for any reason whatsoever, whether or not later found to be invalid or in breach of the employment laws in the jurisdiction where he or she is a Service Provider or the terms of his or her employment or service agreement, if any);
- n. unless otherwise provided in the Plan or by the Company in its discretion, the Shares of Restricted Stock and the benefits evidenced by this Award Agreement do not create any entitlement to have such Shares or any such benefits transferred to, or assumed by, another company nor be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and
- o. none of the Company, the Employer or any Subsidiary shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the Shares of Restricted Stock or of any amounts due to Participant pursuant to the release of such Shares from escrow or the subsequent sale of any Shares acquired upon settlement.

2. **Data Privacy Information and Consent.**

- a. **European Union / European Economic Area / United Kingdom**
 - i. **Data Privacy Terms.** *The following data privacy terms govern the grant of Shares of Restricted Stock under the Plan to Participants in the European Union / European Economic Area / United Kingdom.*

- ii. **Data Collection and Usage.** *The Company and the Employer collect, process and use certain personal information about the Participant, including, but not limited to, his or her name, home address, telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all Awards granted under the Plan or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in his or her favor ("Data"), for the purpose of implementing, administering and managing the Participant's participation in the Plan. The Company's collection, use, transfer and other processing of Participant's Data is necessary for the performance of the Plan. Therefore, the legal basis for the processing of Data is contractual necessity.*
- iii. **Stock Plan Administration Service Providers.** *The Company transfers Data to Solium Capital Inc. ("Shareworks"), an independent service provider based in Alberta, Canada which is assisting the Company with the implementation, administration and management of the Plan. The Company may select a different service provider or additional service providers and share Data with such other service providers in a similar manner. Participant may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan.*
- iv. **International Data Transfers.** *The Company and Shareworks are based in the United States and Canada, respectively. If Participant is outside the United States or Canada, Participant should note that his or her country has enacted data privacy laws that are different from the United States or Canada and that the United States and Canada might not provide a level of protection of personal data equivalent to the level of protection in Participant's country. The United States is subject to adequacy decisions by the European Commission and Switzerland acknowledging that the United States provides an adequate level of protection for personal data transferred to organizations in the United States that have self-certified under the EU/U.S. and Swiss/U.S. Privacy Shield Frameworks. The Company is self-certified under the EU/U.S. and Swiss/U.S. Privacy Shield Frameworks. Shareworks has made contractual commitments to the Company to comply with the EU/U.S. and Swiss/U.S. Privacy Shield Principles and processes Participant's personal data in a manner consistent with those principles.*
- v. **Data Retention.** *The Company will hold and use Data only as long as is necessary to implement, administer and manage Participant's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax, exchange control, labor and securities laws. This period may extend beyond Participant's service relationship. When the Company or the Employer no longer need Data for any of the above purposes, they will cease processing it in this context and remove it from all of their systems used for such purposes, to the fullest extent possible.*
- vi. **Data Subject Rights.** *Participant may have a number of rights under data privacy laws in his or her jurisdiction. Depending on where Participant is*

based, such rights may include the right to (i) request access to or copies of Data the Company processes, (ii) rectify incorrect Data, (iii) delete Data, (iv) restrict the processing of Data, (v) restrict the portability of Data, (vi) lodge complaints with competent authorities in Participant's jurisdiction, and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, Participant can contact his or her local human resources representative.

b. Non-European Union / European Economic Area / United Kingdom

- i. Data Privacy Terms. The following data privacy terms govern the grant of Shares of Restricted Stock under the Plan to Participants outside the European Union / European Economic Area / United Kingdom.
- ii. Data Collection and Usage. The Company and the Employer collect, process and use certain personal information about the Participant, including, but not limited to, his or her name, home address, telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all Awards granted under the Plan or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in his or her favor ("Data"), for the purpose of implementing, administering and managing the Participant's participation in the Plan. The legal basis, where required, for the processing of Data is the Participant's consent.
- iii. Stock Plan Administration Service Providers. The Company transfers Data to Solium Capital Inc. ("Shareworks"), an independent service provider based in Alberta, Canada which is assisting the Company with the implementation, administration and management of the Plan. The Company may select a different service provider or additional service providers and share Data with such other service providers in a similar manner. Participant may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan.
- iv. International Data Transfers. The Company and Shareworks are based in the United States and Canada, respectively. If Participant is outside the United States or Canada, Participant should note that his or her country may have enacted data privacy laws that are different from the United States or Canada and that the United States and Canada might not provide a level of protection of personal data equivalent to the level of protection in Participant's country. Participant authorizes the Company, Shareworks and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purposes implementing, administering and managing Participant's participation in the Plan.

- v. **Data Retention.** *The Company will hold and use Data only as long as is necessary to implement, administer and manage Participant's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax, exchange control, labor and securities laws. This period may extend beyond Participant's service relationship. When the Company or the Employer no longer need Data for any of the above purposes, they will cease processing it in this context and remove it from all of their systems used for such purposes, to the fullest extent possible.*
- vi. **Voluntariness and Consequences of Consent, Denial or Withdrawal.** *Participation in the Plan is voluntary and Participant is providing the consents herein on a purely voluntary basis. If Participant does not consent, or if he or she later seeks to revoke the consent, Participant's compensation from or service relationship with the Employer will not be affected; the only consequence of refusing or withdrawing his or her consent is that the Company would not be able to grant Participant the Shares of Restricted Stock or other Awards under the Plan or administer or maintain such Awards.*
- vii. **Data Subject Rights.** *Participant may have a number of rights under data privacy laws in his or her jurisdiction. Depending on where Participant is based, such rights may include the right to (i) request access to or copies of Data the Company processes, (ii) rectify incorrect Data, (iii) delete Data, (iv) restrict the processing of Data, (v) restrict the portability of Data, (vi) lodge complaints with competent authorities in Participant's jurisdiction, and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, Participant can contact his or her local human resources representative.*
- viii. **Additional Consents.** *Upon request of the Company or the Employer, Participant agrees to provide an executed data privacy consent form to the Company and/or the Employer (or any other agreements or consents that may be required by the Company and/or the Employer) that the Company and/or the Employer may deem necessary to obtain from Participant for the purpose of administering his or her participation in the Plan in compliance with the applicable data privacy laws, either now or in the future. Participant understands and agrees that he or she will not be able to participate in the Plan if Participant fails to provide any such consent or agreement requested by the Company and/or the Employer.*

By clicking "Accept" on the Shareworks award acceptance page or otherwise accepting this Award, Participant also provides his or her consent to the data processing practices described in this section to the extent that such consent is required by applicable law. For the avoidance of doubt, the consent provided herein shall be in addition to, and not in lieu of, any consent Participant might have previously provided to the processing of his or her personal information in the context of an agreement or Award implemented under the Plan and all such previous consent shall remain unaffected by the consent provided herein.

3. **Language.** By accepting this Award, Participant acknowledges and represent that he or she is proficient in the English language or has consulted with an advisor who is sufficiently proficient in English as to allow him or her to understand the terms of this Award Agreement and any other

documents related to the Plan. If Participant has received this Award Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

4. Insider Trading Restrictions/Market Abuse Laws. By accepting this Award, Participant acknowledges that he or she is bound by all the terms and conditions of the Company's insider trading policy as may be in effect from time to time. Participant further acknowledges that, depending on Participant's or his or her broker's country or the country in which the Shares are listed, he or she may be subject to insider trading restrictions and/or market abuse laws which may affect Participant's ability to accept, acquire, sell or otherwise dispose of Shares, rights to Shares (e.g., Restricted Stock Units), or rights linked to the value of Shares under the Plan during such times as Participation is considered to have "inside information" regarding the Company (as defined by the laws in the applicable jurisdictions). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders Participant placed before participant possessed inside information. Furthermore, Participant could be prohibited from (i) disclosing the inside information to any third party, which may include fellow employees and (ii) "tipping" third parties or causing them otherwise to buy or sell securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under the Company's insider trading policy as may be in effect from time to time. Participant acknowledges that it is his or her responsibility to comply with any applicable restrictions, and Participant should speak to his or her personal advisor on this matter.
5. Foreign Asset/Account, Exchange Control and Tax Requirements. Depending on Participant's country, Participant may be subject to foreign asset/account, exchange control, tax reporting or other requirements which may affect Participant's ability to acquire or hold Shares of Restricted Stock or other Shares under the Plan or cash received from participating in the Plan (including dividends and the proceeds arising from the sale of Shares) in a brokerage/bank account outside Participant's country. The Applicable Laws may require that Participant report such Shares of Restricted Stock, other Shares, accounts, assets or transactions to the applicable authorities in such country and/or repatriate funds received in connection with the Plan to Participant's country with a certain time period or according to certain procedures. Participant acknowledges that he or she is responsible for ensuring compliance with any applicable requirements and should consult his or her personal legal advisor to ensure compliance with Applicable Laws.

Subsidiaries of Registrant**Name of Subsidiary**

Dropbox Canada Limited
Dropbox Holding, LLC
Orcinus Holdings, LLC
CloudOn, Inc.
Dropbox Israel Online Ltd.
Dropbox Australia Pty Ltd.
Dropbox France S.A.S
Dropbox Germany GmbH
Dropbox International Unlimited Company
Dropbox Japan KK
Dropbox Mexico S. de R.L. de C.V
Dropbox Netherlands B.V.
Dropbox Singapore Pte. Ltd.
Dropbox Sweden AB
Dropbox UK Online Ltd.
Dropbox UK Online Ltd. Zweigniederlassung Hamburg
JN Projects, Inc. (d/b/a HelloSign)
Valt Inc.

Jurisdiction of Incorporation

British Columbia
Delaware
Delaware
Delaware
Israel
Australia
France
Germany
Ireland
Japan
Mexico
Netherlands
Singapore
Sweden
United Kingdom
Germany
Delaware
Delaware

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-223863) of Dropbox, Inc., pertaining to the 2008 Equity Incentive Plan of Dropbox, Inc., 2017 Equity Incentive Plan of Dropbox, Inc., 2018 Equity Incentive Plan of Dropbox, Inc., and 2018 Employee Stock Purchase Plan of Dropbox, Inc.,
- (2) Registration Statement (Form S-8 No. 333-229842) of Dropbox, Inc., pertaining to the 2018 Equity Incentive Plan of Dropbox, Inc.,
- (3) Registration Statement (Form S-8 No. 333-236570) of Dropbox, Inc., pertaining to the 2018 Equity Incentive Plan of Dropbox, Inc., and
- (4) Registration Statement (Form S-8 No. 333-229924) of Dropbox, Inc., pertaining to the 2011 Equity Incentive Plan of JN Projects, Inc.;

of our reports dated February 19, 2021, with respect to the consolidated financial statements of Dropbox, Inc. and the effectiveness of internal control over financial reporting of Dropbox, Inc. included in this Annual Report (Form 10-K) of Dropbox, Inc. for the year ended December 31, 2020.

/s/ Ernst & Young LLP

San Francisco, California
February 19, 2021

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO
EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Andrew W. Houston, certify that:

1. I have reviewed this Annual Report on Form 10-K of Dropbox, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2021

DROPBOX, INC.

By: /s/ Andrew W. Houston
Name: Andrew W. Houston
Title: Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Timothy J. Regan, certify that:

1. I have reviewed this Annual Report on Form 10-K of Dropbox, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2021

DROPBOX, INC.

By: /s/ Timothy J. Regan
Name: Timothy J. Regan
Title: Chief Financial Officer
(Principal Accounting and Financial Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Andrew W. Houston, Chief Executive Officer of Dropbox, Inc.. (the “Company”), and Timothy J. Regan, Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company’s Annual Report on Form 10-K for the year ended December 31, 2020, to which this Certification is attached as Exhibit 32.1 (the “Periodic Report”), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 19, 2021

/s/ Andrew W. Houston

Andrew W. Houston
Chief Executive Officer
(Principal Executive Officer)

/s/ Timothy J. Regan

Timothy J. Regan
Chief Financial Officer
(Principal Accounting and Financial Officer)