

Investing in a Box: \$48M bet on storage service

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This screen shot shows the homepage of Box.net. Box.net is a provider of online storage lockers for personal and corporate information. (AP Photo/Box.net) NO SALES

(AP) -- Some technology-savvy venture capitalists are making a big bet on a promising Internet company run by a 26-year-old college dropout in Palo Alto, Calif. Only this time, the object of their financial affection isn't Facebook and its CEO, Mark Zuckerberg.

It's Box.net, a startup that offers online storage lockers for personal and corporate information. The privately held company is getting \$48 million from a group of investors and financiers, which include two of Facebook's major shareholders: venture capital firms Meritech Capital

and Andreessen Horowitz.

The similarities don't end there.

Box is based in Palo Alto, as [Facebook](#) has been for nearly seven years. Its CEO, Aaron Levie, is 26 years old like Zuckerberg, who dropped out of Harvard University after his sophomore year in 2004 and moved to Silicon Valley to focus on building what turned into the Internet's biggest social networking site.

Levie dropped out of his college, the University of Southern California, in 2005 to think outside the box with Box. It was an audacious decision, given that he had little to go on besides an idea backed by \$11,000 that his longtime friend, Box co-founder Dylan Smith, had won in poker games.

Since then, Box has raised about \$80 million, including the \$48 million round announced Thursday. Its backers are convinced that the company's service has a good chance to become an indispensable business tool.

"We think it may be reaching an inflection point," George Bischof, managing partner of Meritech Capital.

He sees some parallels to where Facebook was in its evolution when Meritech invested in that company in 2006. It was right about the time that Facebook became available to all comers after initially confining the service to college students. Since the change, Facebook has grown from about 12 million active users to more than 500 million today. It now boasts a market value of \$50 billion, based on \$1.5 billion in investments engineered by Goldman Sachs Group Inc. last month.

Levie won't reveal the market value implied by the latest investment in Box, but indicated it's below \$1 billion. Box finished last year with 5

million.

Box users upload various documents and other content to the company's computer centers. Storing information this way, a concept often called "cloud computing," means it can be called up on any device with an Internet connection. That makes it easier to share with co-workers and other people.

Box's focus on the business, or "enterprise," market makes it seem more mundane than some of the other investments that Andreessen Horowitz has made in more widely used Internet services - a group that, besides Facebook, includes Twitter, Zynga, Skype and Groupon. It also means there probably won't be any Oscar-nominated movies made about Box, as Zuckerberg got with "The Social Network." And Levie seems unlikely to be named Time magazine's person of year, as Zuckerberg was last year.

But that doesn't mean Box can't deliver a huge windfall for its investors, said John O'Farrell, a general partner at Andreessen Horowitz. "Enterprise software is a less sexy space, but that has created a huge opportunity for investors like us," O'Farrell said.

Box offers individual storage accounts with up to 5 gigabytes of storage for free. It tries to make money by persuading companies to pay \$15 per user annually to get 500 gigabytes of collective storage as well as administrative powers that allow them to control access to the information. Corporate customers can get unlimited storage for up to \$35 per user. Without providing specifics, Box says its revenue tripled last year. In a sign that the company anticipates steady growth, Levie believes Box's current payroll of 140 employees will double within the next 18 months.

Don't look for an initial public offering of Box's stock during that time

frame. Levie says that won't happen until at least 2013.

More information: <http://box.net>

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