

INFOBLOX INC
Form S-1
September 19, 2012
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As filed with the Securities and Exchange Commission on September 19, 2012

Registration No. 333-

*UNITED STATES
SECURITIES AND EXCHANGE COMMISSION*

Washington, D.C. 20549

*FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933*

INFOBLOX INC.

(Exact name of Registrant as specified in its charter)

*Delaware
(State or other jurisdiction of incorporation or
organization)*

*7389
(Primary standard industrial classification code
number)*

*20-0062867
(I.R.S. employer
identification no.)*

4750 Patrick Henry Drive

Santa Clara, CA 95054

(408) 625-4200

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Robert D. Thomas

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President and Chief Executive Officer

Infoblox Inc.

4750 Patrick Henry Drive

Santa Clara, CA 95054

(408) 625-4200

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 (the Securities Act), check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Securities Exchange Act of 1934. (Check one):

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

CALCULATION OF REGISTRATION FEE

Table with 3 columns: Title of Each Class of Securities to be Registered, Proposed Maximum Aggregate Offering Price(1)(2), Amount of Registration Fee. Row 1: Common stock, par value \$0.0001 per share, \$100,000,000, \$11,460.

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- (1) *Includes offering price of any additional shares that the underwriters have the option to purchase.*
- (2) *Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.*

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. The selling stockholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS (Subject to Completion)

Issued September 19, 2012

Shares

COMMON STOCK

Certain stockholders of Infoblox, Inc. are offering all shares of common stock. We will not receive any proceeds from the sale of shares of common stock to be offered by the selling stockholders.

Our common stock is listed on the New York Stock Exchange under the symbol BLOX. On September 18, 2012, the last reported sale price of our common stock as reported on the New York Stock Exchange was \$22.17 per share.

We are an emerging growth company as defined under the federal securities laws and, as such, we are subject to reduced public company reporting requirements. Investing in our common stock involves risks. See Risk Factors beginning on page 9.

PRICE \$ A SHARE

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Selling Stockholders
Per share	\$	\$	\$
Total	\$	\$	\$

Certain selling stockholders have granted the underwriters the right to purchase up to an additional _____ shares of common stock at the public offering price less the underwriting discount.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock to purchasers on _____, 2012.

MORGAN STANLEY

GOLDMAN, SACHS & CO.

UBS INVESTMENT BANK

PACIFIC CREST SECURITIES

JMP SECURITIES

STEPHENS INC.

, 2012

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You should rely only on the information contained in this prospectus or in any free writing prospectus prepared by or on behalf of us and delivered or made available to you. Neither we, nor the selling stockholders, nor any of the underwriters have authorized anyone to provide you with additional or different information. The selling stockholders are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus or a free-writing prospectus is accurate only as of its date, regardless of its time of delivery or of any sale of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

For investors outside the United States: neither we, nor the selling stockholders nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside of the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of common stock and the distribution of this prospectus outside of the United States.

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PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus. This summary does not contain all the information you should consider before investing in our common stock. You should read the entire prospectus carefully, including the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this prospectus, before investing in our common stock. Our fiscal year ends on July 31, and references throughout this prospectus to a given year are to our fiscal year ended on that date.

Infoblox Inc.

We are a leader in automated network control and provide an appliance-based solution that enables dynamic networks and next-generation data centers. Our solution combines real-time IP address management with the automation of key network control and network change and configuration management processes in purpose-built physical and virtual appliances. It is based on our proprietary software that is highly scalable and automates vital network functions, such as IP address management, device configuration, compliance, network discovery, policy implementation, security and monitoring. In addition, our solution leverages our real-time distributed network database to provide always-on access to network control data through a scalable, redundant and reliable architecture.

Dynamic networks enable on-demand connection and configuration of devices and applications and allow organizations to, among other things, accelerate service delivery and enhance the value of virtualization and cloud computing. To create dynamic networks, organizations need automated network control, which allows real-time network discovery and visibility, scalability, device configuration and policy implementation, and thus enables flexibility and improves the reliability of expanding networks. Our solution allows our end customers to create dynamic networks, address burgeoning growth in the number of network-connected devices and applications, manage complex networks efficiently and capture more fully the value from virtualization and cloud computing.

We sell our integrated appliance and software solution primarily through channel partners to end customers of various sizes and across a wide range of industries. Our end customers include many of the largest Forbes Global 2000 companies, including:

ten of the top 15 aerospace and defense companies;

15 of the top 25 auto and truck manufacturers;

ten of the top 20 retailers;

five of the top ten major banks; and

seven of the top ten telecommunications providers.

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Our appliances have been sold to more than 5,900 end customers, including Adobe, Barclays, Best Buy, Boeing, Caterpillar, the Federal Aviation Administration, IBM, Johnson & Johnson, KDDI, Quest Diagnostics, Reuters, the Royal Bank of Canada, Staples, TIMPO, U.S. Customs and Border Protection and Vodafone.

We have experienced rapid growth in recent periods. Our net revenue increased from \$102.2 million in 2010 to \$169.2 million in 2012, representing a compounded annual growth rate of 28.7%, and our cash flows from operating activities increased from \$15.3 million to \$21.4 million over that same period. In 2010, we had net income of \$7.0 million. In 2011 and 2012, we had net losses of \$5.3 million and \$8.2 million. As of July 31, 2012, we had an accumulated deficit of \$108.1 million.

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Industry Background

Dynamic networks are essential to the performance of data centers and increasingly rely on the Internet Protocol, or IP. Organizations are deploying dynamic networks to enable next-generation data centers that utilize virtualization, cloud computing, software-as-a-service and high-speed networking to cost-effectively support numerous business critical operations. Organizations have upgraded the performance of their networking hardware, such as switches and routers, but generally have not upgraded their network control, which is the infrastructure and software that control the operation of the network. The importance of network control grows as networks increase in scale and complexity because of the rapid growth in the number of devices and software applications requiring network connectivity, the consumerization of Information Technology, or IT, the adoption of next-generation IP protocols and the proliferation of virtualization and cloud computing.

Factors Creating a Need for Automated Network Control

The objective of network control is to establish and maintain reliable device and application connectivity to the network by performing a number of complex functions and processes, including IP address management, device configuration, compliance, network discovery, policy implementation, security and monitoring. Historically, organizations have implemented network control using legacy approaches such as basic protocol servers, unsupported internally-developed software, spreadsheets and other manual processes involving routine, repetitive and error-prone tasks. Organizations need automated network control to create dynamic networks. This need is driven by a number of trends, including the following:

Rapid growth in the number and types of devices that require network connections;

Rapid growth in the number of network-connected software applications, resulting in increased frequency of requests for IP locations;

Demand for next-generation data centers that utilize virtualization and cloud computing and the need to deliver and scale services in real-time;

Challenges of IP version 6, or IPv6, implementation due to the complexity of this protocol and the need for it to coexist with IP version 4, or IPv4; and

Demand for personal consumer device connectivity to the networks of organizations.

Challenges of Legacy Network Control Approaches

As the above trends lead to increased network complexity, the following challenges of legacy approaches to network control are becoming more acute:

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Long Time to Value. Many organizations are seeking to reduce the time required to place IT infrastructure into service to support their business needs, in part through the use of virtualization and cloud computing. Legacy approaches to network control can be time consuming and therefore may limit an organization's ability to respond to new revenue opportunities and implement cost reduction strategies.

Limited Availability. A network may become unavailable as a result of faults, security attacks or other disruptions caused by data loss, configuration errors or lack of name recognition and inaccurate IP addresses. Legacy network control approaches were not designed to meet the availability requirements of dynamic networks and make networks more susceptible to failures, security attacks and outages.

High Total Cost of Ownership. Legacy network control approaches generally require organizations to make significant investments in experienced IT personnel capable of managing the availability and

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improving the performance of their networks. The additional complexity of IPv6 will increase the need for IT personnel because protocols will become more complicated and IT personnel will have to manage multiple IP protocols with manual processes.

Limited Performance. As more applications and devices connect to the network, they are increasingly dependent upon the performance of connection protocols. Legacy network control approaches are unable to process the increasing volume of requests for configuration change, IP addresses and domain names, thereby causing applications and devices to have inconsistent access to the network.

Limited Scalability. Legacy network control approaches generally limit scalability since they rely in part on manual processes and internally-developed software. This constrains the number of devices that can be connected to the network and limits the scalability of network capacity and functionality.

Difficult to Use. Legacy network control approaches are complex and generally require experienced IT personnel capable of using existing tools and undocumented processes to coordinate manual updates and configuration changes to a network, as well as to manage compliance standards and policies. As a result, organizations frequently must deploy their most experienced IT personnel for network control rather than for strategic business priorities.

Market Opportunity for Automated Network Control

We believe that the market opportunity for automated network control can be estimated based on the significant expenditures that organizations make deploying millions of protocol servers, application change and configuration management software, and IP address management tools, and for ongoing associated labor costs. To make the transition to next-generation data centers that rely on dynamic networks, organizations need to replace legacy approaches to network control with purpose-built automated network control solutions. We believe that the market for automated network control will grow as more end customers replace their legacy network control with automated solutions that enable dynamic networks.

Our Solution

Our appliance-based solution combines real-time IP address management with the automation of key network control and network change and configuration management processes in purpose-built physical and virtual appliances. It is based on our proprietary software that is highly scalable and automates vital network functions, such as IP address management, device configuration, compliance, network discovery, policy implementation, security and monitoring. In addition, our solution leverages our Grid technology, which utilizes our real-time distributed network database to provide always-on access to network control data through a scalable, redundant and reliable architecture. Grid enables end customers to manage network information, including millions of IP addresses, and to configure, back up, restore and upgrade thousands of appliances globally from a single point of control.

Key customer benefits of our solution include:

Rapid Time to Value. Our automated network control solution allows our end customers to operate their networks in real-time and to introduce IT infrastructure rapidly by propagating network configuration data instantly. This enables our end customers to accelerate business imperatives, including applications that may enhance revenue or decrease expenditures.

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High Availability. Our solution ensures high network availability through a distributed network database that maintains system redundancy and security across multiple connected appliances and locations. This makes the network less susceptible to failures, security attacks and outages.

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Cost Effective. Our technologies automate routine, repetitive and complex network configuration operations, eliminate many error-prone tasks and manual processes and provide a single point of control. Our solution also addresses the complexity of IPv6. This allows our end customers to reduce the operational costs of configuring and maintaining the network by employing fewer and less expensive IT personnel to perform network control tasks.

High Performance. Our purpose-built physical and virtual appliances provide high performance and real-time processing of configuration change requests and connection protocols, such as the domain name system, or DNS, and the dynamic host configuration protocol, or DHCP. For example, our Trinzic 4030 hardware appliance can deliver 1.0 million DNS queries per second, which we believe is the fastest commercially-available DNS product on the market.

High Scalability. Our solution leverages our real-time, distributed network database to enable up to 12,500 of our physical and virtual appliances to operate as a single, unified system that can replicate and distribute data in real-time.

Easy to Use. Our solution offers intuitive graphical user interfaces to guide inexperienced IT personnel through complex workflows. It enables our end customers to configure, back up, restore and upgrade thousands of appliances globally from a single point of control, often with a single click. In addition, our solution enables organizations to place network hardware components into service and manage ongoing compliance reporting requirements easily by maintaining and updating device configurations and policies centrally.

Our Growth Strategy

The following are key elements of our growth strategy:

Extend Our Technology Leadership Position. We intend to leverage our leadership position and time to market advantage by continuing to define the market requirements for automated network control. We also plan to continue to invest in research and development to help our end customers achieve the full benefits of virtualization and cloud computing through network automation technology.

Strategically Expand Our Product Portfolio. Our close relationships with our end customers provide us with valuable insights into end customer needs, deployment demands and market trends, and we plan to continue to leverage this information to develop and enhance our product offerings. In addition, we expect to expand into adjacent markets through organic development, strategic technology partnerships and selective acquisitions.

Extend Our Reach and Add New End Customers. We intend to target new end customers by continuing to invest in our sales force, deepening our engagement with our current channel partners and establishing relationships with new channel partners.

Up-Sell Additional Products into Our Growing End Customer Base. We intend to continue to develop our marketing and sales capabilities to encourage the adoption of new products by our large installed base of end customers.

Expand Channel Relationships to Accelerate Adoption of Our Solution. We intend to increase the productivity of our channel partners through product education, sales training and support training. In addition, we intend to leverage and work with service providers to distribute our solution through product resale and managed service offerings.

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Risks Affecting Us

Our business is subject to numerous risks and uncertainties of which you should be aware before making an investment decision. These risks and uncertainties are discussed more fully in the section of this prospectus entitled "Risk Factors" and include, but are not limited to, the following:

We have a history of losses, and we may not become profitable or maintain profitability;

Our recent growth rates may not be indicative of our future growth, and we may not continue to grow at our recent pace or at all;

The developing and rapidly evolving nature of our business and the markets in which we operate may make it difficult to evaluate our business;

Our net revenue and operating results could vary significantly from period to period and be unpredictable, which could cause the market price of our common stock to decline;

Sales of our Trinzic DDI family of products generate most of our products and licenses revenue, and if we are unable to continue to grow sales of these products, our operating results and profitability will suffer;

The demand for our solution and corresponding sales of our products may not grow as we expect; and

We compete in highly competitive markets, and competitive pressures from existing and new companies may adversely impact our business and operating results.

We were originally incorporated in Illinois in February 1999 and reincorporated in Delaware in May 2003. Our principal executive offices are located at 4750 Patrick Henry Drive, Santa Clara, California 95054, and our telephone number is (408) 625-4200. Our website address is www.infoblox.com. The information on, or that can be accessed through, our website is not incorporated by reference into this prospectus and should not be considered to be a part of this prospectus. Unless otherwise indicated, the terms "Infoblox," "we," "us" and "our" refer to Infoblox Inc., a Delaware corporation, together with its consolidated subsidiaries.

Infoblox is our registered trademark in the United States, and the Infoblox logo and all of our product names are our trademarks. Other trademarks appearing in this prospectus are the property of their respective holders.

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THE OFFERING

Common stock offered by the selling stockholders	shares
Option to purchase additional shares granted by certain of the selling stockholders	shares
Common stock to be outstanding after this offering	shares
Use of proceeds	The selling stockholders will receive all of the net proceeds from the sale of shares in this offering. We will not receive any proceeds from the sale of shares in this offering. See Use of Proceeds.
NYSE symbol	BLOX

The number of shares of our common stock to be outstanding after this offering is based upon the number of shares of our common stock outstanding as of July 31, 2012, after giving effect to the issuance of shares of our common stock to be acquired by certain selling stockholders through option exercises at the closing of this offering in order to sell those shares in this offering, and does not include:

shares of our common stock issuable upon the exercise of stock options outstanding as of July 31, 2012, with a weighted-average exercise price of \$ per share (other than shares to be sold in this offering by certain selling stockholders upon the exercise of vested stock options) and 35,550 shares of our common stock issuable upon the settlement of restricted stock units outstanding as of July 31, 2012;

19,922 shares of our common stock issuable upon the exercise of stock options granted after July 31, 2012, with a weighted-average exercise price of \$20.36 per share and 851,725 shares of our common stock issuable upon the settlement of restricted stock units granted after July 31, 2012;

22,831 shares of our common stock issuable upon the exercise of warrants outstanding as of July 31, 2012, with a weighted-average exercise price of \$4.05 per share; and

4,640,628 shares of our common stock reserved for future issuance under our 2012 Equity Incentive Plan and 1,500,000 shares of our common stock reserved for future issuance under our 2012 Employee Stock Purchase Plan; and shares that become available pursuant to provisions of each plan that automatically increase their share reserves each year, as more fully described in Executive Compensation Employee Benefit Plans.

Except as otherwise indicated, all information in this prospectus assumes:

no exercise of outstanding options or warrants since July 31, 2012; and

no exercise by the underwriters of their option to purchase up to an additional shares of our common stock from certain selling stockholders in this offering.

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The following tables summarize our consolidated financial data. We derived the summary consolidated statement of operations data for the years ended July 31, 2010, 2011 and 2012 and the summary consolidated balance sheet data as of July 31, 2012 from our audited consolidated financial statements included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results to be expected in the future. You should read the following summary consolidated financial data in conjunction with the section entitled Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements, related notes and other financial information included elsewhere in this prospectus.

	Year Ended July 31,		
	2010	2011	2012
	(In thousands, except per share data)		
Consolidated Statement of Operations Data:			
Net revenue:			
Products and licenses	\$ 65,849	\$ 80,274	\$ 95,012
Services	36,319	52,561	74,234
Total net revenue	102,168	132,835	169,246
Cost of revenue ⁽¹⁾ :			
Products and licenses	13,770	16,652	21,778
Services	8,183	12,187	15,342
Total cost of revenue	21,953	28,839	37,120
Gross profit	80,215	103,996	132,126
Operating expenses:			
Research and development ⁽¹⁾	18,066	29,605	36,624
Sales and marketing ⁽¹⁾	45,413	67,390	86,474
General and administrative ⁽¹⁾	8,380	10,831	15,548
Total operating expenses	71,859	107,826	138,646
Income (loss) from operations	8,356	(3,830)	(6,520)
Other expense, net	(357)	(690)	(946)
Income (loss) before provision for income taxes	7,999	(4,520)	(7,466)
Provision for income taxes	1,011	802	744
Net income (loss)	\$ 6,988	\$ (5,322)	\$ (8,210)
Net income (loss) attributable to common stockholders ⁽²⁾ :			
Basic	\$ 101	\$ (5,322)	\$ (8,210)
Diluted	\$ 124	\$ (5,322)	\$ (8,210)
Net income (loss) per share attributable to common stockholders ⁽²⁾ :			
Basic	\$ 0.01	\$ (0.54)	\$ (0.40)
Diluted	\$ 0.01	\$ (0.54)	\$ (0.40)

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Weighted-average shares used in computing net income (loss) per share attributable to common stockholders ⁽²⁾ :			
Basic	7,768	9,933	20,563
Diluted	10,281	9,933	20,563

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- (1) Results above include stock-based compensation as follows:

	Year Ended July 31,		
	2010	2011	2012
Stock-based compensation:			
Cost of revenue	\$ 146	\$ 283	\$ 700
Research and development	580	1,126	2,363
Sales and marketing	1,311	2,546	5,409
General and administrative	651	1,178	2,180
 Total stock-based compensation	 \$ 2,688	 \$ 5,133	 \$ 10,652

- (2) Please see note 2 of our notes to the consolidated financial statements included elsewhere in this prospectus for an explanation of the calculations of our basic and diluted net income (loss) per share attributable to common stockholders.

	As of July 31, 2012
Consolidated Balance Sheet Data:	
Cash and cash equivalents	\$ 156,613
Working capital	113,642
Total assets	242,983
Deferred revenue, net current and long-term	76,667
Total stockholders' equity	142,075

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RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below before making a decision to invest in our common stock. Our business, operating results, financial condition or prospects could be materially and adversely affected by any of these risks and uncertainties. In that case, the trading price of our common stock could decline and you might lose all or part of your investment. In addition, the risks and uncertainties discussed below are not the only ones we face. Our business, operating results, financial performance or prospects could also be harmed by risks and uncertainties not currently known to us or that we currently do not believe are material. In assessing the risks and uncertainties described below, you should also refer to the other information contained in this prospectus before making a decision to invest in our common stock.

Risks Related to Our Business and Industry

We Have a History of Losses, and We May Not Become Profitable or Maintain Profitability.

Since our inception in 1999, we have incurred a net loss in each fiscal year except 2010. During 2012, we incurred a net loss of \$8.2 million. As a result, we had an accumulated deficit of \$108.1 million at July 31, 2012. We may not become profitable in the future or may be unable to maintain any profitability achieved if we fail to increase our net revenue and manage our expenses or if we incur unanticipated liabilities. Revenue growth may slow or revenue may decline for a number of reasons, including slowing demand for our products or services, increasing competition, the timing of revenue recognition, lengthening sales cycles, decelerating growth of, or declines in, our overall market, or our failure to capitalize on growth opportunities or to introduce new products and services. In addition, we expect that our operating expenses, including stock-based compensation, will continue to increase in all areas as we seek to grow our business and as we assume the reporting requirements and compliance obligations of a public company. Any failure by us to achieve and maintain profitability could cause the price of our common stock to decline significantly.

Our Recent Growth Rates May Not Be Indicative of Our Future Growth, and We May Not Continue to Grow at Our Recent Pace or at All.

Our continued business and revenue growth will depend, in part, on our ability to continue to sell our products to new end customers, sell additional products to our existing end customers, introduce new products or enhancements and increase our share of and compete successfully in new, growing markets, and we may fail to do so. You should not consider our recent growth rate in net revenue as indicative of our future growth.

The Developing and Rapidly Evolving Nature of Our Business and the Markets in Which We Operate May Make it Difficult to Evaluate Our Business.

We were founded in 1999 and since inception have been creating products for the developing and rapidly evolving market for automated network control. Our initial products were appliances that supported reliable connectivity to networks. We have expanded our product focus through internal development and recent acquisitions of products and technologies. Acquisitions such as our acquisition of Netcordia, Inc. in May 2010 may cause uncertainties related to their integration into our business. In addition, we may have difficulty in our business and financial planning because of the developing nature of the markets in which we operate and the evolving nature of our business. Because we depend in

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part on market acceptance of our products, it is difficult to evaluate trends that may affect our business and whether our expansion will be profitable. Thus, any predictions about our future revenue and expenses may not be as accurate as they would be if our business and market were more mature and stable.

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Our Net Revenue and Operating Results Could Vary Significantly from Period to Period and Be Unpredictable, Which Could Cause the Market Price of Our Common Stock to Decline.

The sale and licensing of our products generates a majority of our net revenue. The timing of sales and licensing of products can be difficult to predict and can result in significant fluctuations in our net revenue from period to period. Our operating results have fluctuated significantly in the past, and may continue to fluctuate in the future, as a result of a variety of factors, many of which are outside of our control. As a result, comparing our net revenue and operating results on a period-to-period basis may not be meaningful, and you should not rely on our past results as an indication of our future performance.

We have based our current and projected future expense levels on our operating plans and sales forecasts, and our operating costs are relatively fixed in the short term. As a result, we may not be able to reduce our costs sufficiently to compensate for an unexpected shortfall in net revenue, and even a small shortfall in net revenue could disproportionately and adversely affect our financial results for a given quarter.

It is possible that our operating results in some periods may be below market expectations. This would likely cause the market price of our common stock to decline. In addition to the other risk factors listed in this section, our operating results may be affected by a number of factors, including:

the timing of sales of our products and services, particularly large sales;

the inherent complexity, length and associated unpredictability of our sales cycles, including the varying budgetary cycles and purchasing priorities of our end customers;

the timing of revenue recognition as a result of guidance under accounting principles generally accepted in the United States;

fluctuations in demand for our products and services, including seasonal variations;

the timing of the resale of our products sold to distributors, for which we generally recognize revenue upon reported sell-through;

the mix of our products and services sold and distribution channels through which our products and services are sold;

the timing and success of changes in our product offerings or those of our competitors;

changes in our or our competitors' pricing policies or sales terms;

the amount and timing of operating expenses related to the maintenance and expansion of our business, operations and infrastructure;

our ability to control costs, including the costs of our third-party manufacturers;

the ability to obtain sufficient supplies of components at acceptable prices, or at all;

the timing of costs related to the development or acquisition of technologies or businesses;

our inability to complete or integrate efficiently any acquisitions that we may undertake;

changes in the regulatory environment for our products domestically and internationally;

claims of intellectual property infringement against us and any resulting temporary or permanent injunction prohibiting us from selling our products or requirement to pay damages or expenses associated with any of those claims; and

general economic conditions in our domestic and international markets.

Further, end customer buying patterns and sales cycles can vary significantly from quarter to quarter and are not subject to an established pattern over the course of a quarter. Accordingly, at the beginning of a quarter, we

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have limited visibility into the level of sales that will be made in that quarter. If expected net revenue at the end of any quarter is reduced or delayed for any reason, including, among other things, the failure of anticipated purchase orders to materialize, our inability to deliver products prior to quarter-end to fulfill purchase orders received near the end of the quarter, our failure to manage inventory properly in a way to meet demand, or our inability to release new products on schedule, our net revenue and operating results for that quarter could be materially and adversely affected.

As a result of the foregoing factors, our operating results in one or more future periods may fail to meet or exceed our projections or the expectations of securities analysts or investors. In that event, the trading price of our common stock would likely decline.

Sales of Our Trinzic DDI Family of Products Generate Most of Our Products and Licenses Revenue, and if We Are Unable to Continue to Grow Sales of These Products, Our Operating Results and Profitability Will Suffer.

Historically, we have derived substantially all of our products and licenses revenue from sales of products in our Trinzic DDI family and their predecessors, and we expect to continue to derive a significant majority of our products and licenses revenue from sales of our Trinzic DDI family of products for the foreseeable future. A decline in the price of these products and related services, whether due to competition or otherwise, or our inability to increase sales of these products, would harm our business and operating results more seriously than it would if we derived significant revenue from a variety of product lines and services. Our future financial performance will also depend upon successfully developing and selling enhanced versions of our Trinzic DDI family of products. If we fail to deliver product enhancements, new releases or new products that end customers want, it will be more difficult for us to succeed. In addition, our strategy depends upon our products being able to solve critical network management problems for our end customers. If our Trinzic DDI family of products is unable to solve these problems for our end customers or if we are unable to sustain the high levels of innovation in our Trinzic DDI product feature set needed to maintain leadership in what will continue to be a competitive market environment, our business and results of operations will be harmed.

The Demand for Our Automated Network Control Solution and Related Services May Not Grow as We Expect.

The demand for automated network control depends upon the increasing size and complexity of networks, which may be driven by the rapid growth of new network-connected devices and applications, the adoption of IPv6 and the proliferation of virtualization and cloud computing. The market for automated network control products has increased in recent years as organizations have deployed more devices and applications on their networks and increased the number of virtual machines in use. Our business plan assumes that the demand for automated network control will increase based on the foregoing factors. Ultimately, however, the factors driving demand for automated network control may not develop as quickly as we anticipate, or at all, and the growth of our business and results of operations may be adversely affected.

If We Are Unable to Attract New End Customers or to Sell Additional Products to Our Existing End Customers, Our Revenue Growth Will be Adversely Affected and Our Net Revenue Could Decrease.

To increase our net revenue, we must continually add new end customers and sell additional products to existing end customers. In recent periods, we have been adding personnel and other resources to our sales function as we focus on growing our business, entering new markets and increasing our market share, and we expect to incur significant additional expenses in expanding our sales and development personnel and our international operations in order to achieve revenue growth. In addition, we expect our sales and marketing expenses to increase in absolute dollars as we expand our sales and marketing efforts worldwide and expand our marketing programs and relationships with current and future channel partners and end customers. The return on these and future investments may be lower, or may be realized more slowly, than we expect. If we do not achieve the benefits anticipated from our investments, or if the achievement of these benefits is delayed, our growth rates will

decline and our operating results would likely be adversely affected.

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If We are Unable to Introduce New Products Successfully and to Make Enhancements to Existing Products, Our Growth Rates Would Likely Decline and Our Business, Results of Operations and Competitive Position Could Suffer.

We invest substantial amounts of time and resources in researching and developing new products and enhancing existing products by incorporating additional features, improving functionality and adding other improvements to meet end customers' rapidly evolving demands in our highly competitive industry. For example, in March 2012, we introduced a new series of appliances with greater price/performance and other advantages but lower gross margins compared to our prior generation of appliances, the A appliance series. We also invest in the acquisition of products that expand our offerings and help us enter into new growing markets, as we did when we expanded our product line and automation capabilities through our May 2010 acquisition of Netcordia. We often make these investments without being certain that they will result in products or enhancements that the market will accept or that they will expand our share of those markets. The sizes of the markets currently addressed by our products are not certain, and our ability to grow our business in the future may depend upon our ability to introduce new products or enhance and improve our existing products for those markets or entry into new markets. Our growth would likely be adversely affected if we fail to introduce these new products or enhancements, fail to manage successfully the transition to new products from the products they are replacing or do not invest our development efforts in appropriate products or enhancements for significant new markets, or if these new products or enhancements do not attain market acceptance.

Our new products or enhancements could fail to attain sufficient market acceptance for many reasons, including:

the timeliness of the introduction and delivery of our products or enhancements;

our failure or inability to predict changes in our industry or end customers' demands or to design products or enhancements that meet end customers' increasing demands;

defects, errors or failures in any of our products or enhancements;

the inability of our products and enhancements to interoperate effectively with products from other vendors or to operate successfully in the networks of prospective end customers;

negative publicity about the performance or effectiveness of our products or enhancements;

reluctance of end customers to purchase products that incorporate elements of open source software;

failure of our channel partners to market, support or distribute our products or enhancements effectively; and

changes in government or industry standards and criteria.

Our products or enhancements may have limited value to us if they fail to achieve market acceptance, and there can be no assurance that our sales efforts will be effective or that we will realize a positive return on any of these investments, even if the resultant products or enhancements achieve market acceptance.

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Our end customers expect timely introduction of new products and enhancements to respond to new feature requests. Since developing new products or new versions of, or add-ons to, our existing products is complex, the timetable for their commercial release is difficult to predict and may vary from historical experience, which could result in delays in their introduction from anticipated or announced release dates. We may not offer updates as rapidly as our end customers require or expect. If we do not respond to the rapidly changing needs of our end customers by developing and introducing on a timely basis new and effective products, features, upgrades and services that can respond adequately to their needs, our competitive position, business and growth prospects will be harmed.

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We Compete in Rapidly Evolving Markets, and Our Failure to Respond Quickly and Effectively to Changing Market Requirements Could Cause Our Business and Key Operating Metrics to Decline.

The automated network control market is characterized by rapidly changing technology, changing customer needs, evolving industry standards and frequent introductions of new products and services. For example, in order to be competitive, our solution must be capable of operating with and managing an ever increasing array of network devices and an increasingly complex network environment. In some cases, the ability of our solution to interoperate with and manage third-party devices may require licenses from the device manufacturers or other third parties, and we may not be able to obtain necessary licenses on acceptable terms or at all. In addition, our solution must be compatible with industry standards for networks. As new networking devices are introduced and standards in the networking market evolve, we may be required to modify our products and services to make them compatible with these new devices and standards. Likewise, if our competitors introduce new products and services that compete with ours, we may be required to reposition our product and service offerings or to introduce new products and services in response to that competitive pressure. We may not be successful in modifying our current products or introducing new ones in a timely or appropriately responsive manner, or at all. If we fail to address these shifts in the competitive landscape successfully, our business and operating results could be materially harmed.

Our Sales Cycles Can Be Long and Unpredictable, and Our Sales Efforts Require Considerable Time and Expense. As a Result, Our Sales and Revenue Are Difficult to Predict and May Vary Substantially from Period to Period, Which May Cause Our Operating Results to Fluctuate Significantly.

The timing of our sales and revenue recognition is difficult to predict because of the length and unpredictability of our products' sales cycles. A sales cycle is the period between initial contact with a prospective end customer and any sale of our products. End customer orders often involve the purchase of multiple products. These orders are complex and difficult to complete because prospective end customers generally consider a number of factors over an extended period of time before committing to purchase automated network control products, such as the solution we sell. End customers often view the purchase of our products as a significant and strategic decision and require considerable time to evaluate, test and qualify our products prior to making a purchase decision and placing an order. The length of time that end customers devote to their evaluation, contract negotiation and budgeting processes varies significantly. The length of our products' sales cycles typically ranges from three to twelve months but can be more than eighteen months. During the sales cycle, we expend significant time and money on sales and marketing activities and make investments in evaluation equipment, all of which lower our operating margins, particularly if no sale occurs. Even if an end customer makes a decision to purchase our products, there are many factors affecting the timing of our recognition of revenue, which makes our revenue difficult to forecast. For example, there may be unexpected delays in an end customer's internal procurement processes, particularly for some of our larger end customers for which our products represent a very small percentage of their total procurement activity. There are many other factors specific to end customers that contribute to the timing of their purchases and the variability of our revenue recognition, including the strategic importance of a particular project to an end customer, budgetary constraints and changes in their personnel. Even after an end customer makes a purchase, there may in some cases be circumstances or terms relating to the purchase that delay our ability to recognize revenue from that purchase. In addition, the significance and timing of our product enhancements, and the introduction of new products by our competitors, may also affect end customers' purchases. For all of these reasons, it is difficult to predict whether a sale will be completed, the particular fiscal period in which a sale will be completed or the period in which revenue from a sale will be recognized. If our sales cycles lengthen, our net revenue could be lower than expected, which would have an adverse impact on our operating results and could cause our stock price to decline.

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We Compete in Highly Competitive Markets, and Competitive Pressures from Existing and New Companies May Adversely Impact Our Business and Operating Results.

The markets in which we compete are highly competitive. We expect competition to intensify in the future as existing competitors and new market entrants introduce new products into our markets. This competition could result in increased pricing pressure, reduced profit margins, increased sales and marketing expenses and our failure to increase, or the loss of, market share, any of which would likely seriously harm our business, operating results and financial condition. If we do not keep pace with product and technology advances and otherwise keep our product offerings competitive, there could be a material and adverse effect on our competitive position, revenue and prospects for growth.

We compete with large technology integrators, such as BMC Software, Inc., EMC Corporation, Hewlett-Packard Company and International Business Machines Corporation, telecommunication equipment providers, such as Alcatel-Lucent and BT Group plc, and specialized technology providers, such as BlueCat Networks, Inc., EfficientIP SAS and Nominum, Inc. We also seek to replace network control tools and processes in which end customers have made significant investments. These tools and processes may have been purchased or internally-developed based on open source software or other technology, and end customers may be reluctant to adopt a new solution that replaces or changes their existing tools and processes.

Many of our competitors are substantially larger and have greater financial, technical, research and development, sales and marketing, manufacturing, distribution and other resources and greater name recognition. We could also face competition from new market entrants, some of which might be our current technology partners. Many of our existing and potential competitors enjoy substantial competitive advantages, such as:

longer operating histories;

the capacity to leverage their sales efforts and marketing expenditures across a broader portfolio of products;

broader distribution and established relationships with channel partners;

access to larger end customer bases;

greater end customer support;

greater resources to make acquisitions;

larger intellectual property portfolios;

the ability to bundle competitive offerings with other products and services;

less stringent accounting requirements, resulting in greater flexibility in pricing and terms; and

lower labor and development costs.

As a result, increased competition could result in fewer end customer orders, price reductions, reduced operating margins and loss of market share. Our competitors also may be able to provide end customers with capabilities or benefits different from or greater than those we can provide in areas such as technical qualifications or geographic presence, or to provide end customers a broader range of products, services and prices. In addition, large competitors may have more extensive relationships within existing and potential end customers that provide them with an advantage in competing for business with those end customers. Our ability to compete will depend upon our ability to provide a better solution than our competitors at a competitive price. We may be required to make substantial additional investments in research, development, marketing and sales in order to respond to competition, and there is no assurance that these investments will achieve any returns for us or that we will be able to compete successfully in the future.

We also expect increased competition if our market continues to expand. Conditions in our market could change rapidly and significantly as a result of technological advancements or other factors. In addition, current or

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potential competitors may be acquired by third parties that have greater resources available. As a result of these acquisitions, our current or potential competitors might take advantage of the greater resources of the larger organization to compete more vigorously or broadly with us. In addition, continued industry consolidation might adversely impact end customers' perceptions of the viability of smaller and even medium-sized networking companies and, consequently, end customers' willingness to purchase from those companies.

Adverse Economic Conditions May Adversely Impact Our Business.

Our business depends on the overall demand for IT and on the economic health of our current and prospective end customers. In addition, the purchase of our products is often discretionary and may involve a significant commitment of capital and other resources. The recent financial recession resulted in a significant weakening of the economy in the United States and Europe and of the global economy, more limited availability of credit, a reduction in business confidence and activity, deficit-driven austerity measures that continue to impact governments and educational institutions, and other difficulties that may affect one or more of the industries to which we sell our products and services. If economic conditions in the United States, Europe and other key markets for our products continue to remain uncertain or deteriorate further, many end customers may delay or reduce their IT spending. This could result in reductions in sales of our products and services, longer sales cycles, slower adoption of new technologies and increased price competition. Any of these events would likely harm our business, operating results and financial condition. In addition, there can be no assurance that IT spending levels will increase following any recovery.

We Base Our Inventory Purchasing Decisions on Our Forecasts of End Customer Demand, and if Our Forecasts Are Inaccurate, Our Operating Results Could Be Materially Harmed.

We place orders with our third-party manufacturers based on our forecasts of our end customers' requirements and forecasts provided by our channel partners. These forecasts are based on multiple assumptions, each of which might cause our estimates to be inaccurate, affecting our ability to provide products to our customers. When demand for our products increases significantly, we may not be able to meet it on a timely basis, and we may need to expend a significant amount of time working with our customers to allocate limited supply and maintain positive customer relations, or we may incur additional costs to rush the manufacture and delivery of additional products. If we or our channel partners underestimate end customer demand, we may forego revenue opportunities, lose market share and damage our end customer relationships. Conversely, if we overestimate end customer demand, we may maintain more finished goods or raw materials inventory than we are able to sell when we expect to or at all. If our channel partners overestimate end customer demand, our channel partners may accumulate excess inventory, which could cause a reduction of purchases from us in future quarters. As a result, we could have excess or obsolete inventory, resulting in a decline in its value, which would increase our cost of revenue and reduce our liquidity. Our failure to manage inventory accurately relative to demand would adversely affect our operating results.

We Rely on Our Channel Partners, Including Distributors, Integrators, Managed Service Providers and Value-Added Resellers. A Decrease in Their Sales of Our Products Would Materially and Adversely Affect Our Operating Results.

In 2011 and 2012, a significant majority of our net revenue was generated from sales through our channel partners, including third-party distributors, integrators, managed service providers and value-added resellers, or VARs, that market or sell networking equipment, software and other products and services to end customers. We expect these channel partners to continue to have a similar impact on our net revenue for the foreseeable future, as we invest in and expand our channel relationships, particularly those with large managed service providers. Accordingly, our future growth will depend in part on our channel partners' ability to market and sell our products and services. In general, our contracts with our channel partners do not contain minimum purchase commitments and allow them to exercise significant discretion regarding the promotion of our products and services, meaning our channel partners could cease to sell our products and services, choose to market, sell and

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support products and services that are competitive with ours or choose to devote more resources to the marketing, sales and support of those competitive products. As a result, our net revenue would decrease if our competitors were effective in providing incentives to existing and potential channel partners to favor their products over ours or to prevent or reduce sales of our products. Our net revenue might also be negatively affected by our failure to hire and retain sufficient qualified sales personnel internally since our channel partners depend on significant support from our internal sales personnel. Even if our channel partners actively and effectively promote our products and services, there can be no assurance that their efforts will result in growth of our net revenue. In addition, to the extent we fail to attract, train and maintain a sufficient number of high-quality channel partners, our business, operating results and financial condition could be materially and adversely affected. Recruiting and retaining qualified channel partners, particularly large managed service providers, is difficult. Training new channel partners regarding our technology and products requires significant time and resources, and it may take several months or more to achieve significant sales from new channel partners. We may also change our channel distribution model in one or more regions, such as by adding a distribution tier to our sales channel in North America to support our VARs, which change might not improve our channel partners' effectiveness and could result in decreases to our gross margins and declining profitability. In order to develop and expand our distribution channels, we must continue to scale and improve our processes and procedures that support these channels, including investment in systems and training, and those processes and procedures may become increasingly complex and difficult to manage.

By relying on channel partners, we may in some cases have little contact with the end customers of our products, thereby making it more difficult for us to ensure proper delivery, installation and support of our products, service ongoing end customer requirements and respond to evolving end customer needs. In addition, our use of channel partners could subject us to lawsuits, potential liability and reputational harm if, for example, a sales channel partner misrepresents the functionality of our products or services to end customers or violates laws or our corporate policies. If we fail to manage our channel partners effectively, our business would be seriously harmed.

We Are Exposed to the Credit Risk of Our Channel Partners and End Customers, Which Could Result in Material Losses and Negatively Impact Our Operating Results.

Most of our sales are on an open credit basis, with typical payment terms of 30 days. Because of local customs or conditions, payment terms may be longer in some circumstances and markets. If any of the channel partners or end customers responsible for a significant portion of our net revenue becomes insolvent or suffers a deterioration in its financial or business condition and is unable to pay for our products, our results of operations could be harmed.

Our Business Depends on End Customers Renewing Their Maintenance and Support Contracts. Any Decline in Maintenance Renewals Could Harm Our Future Operating Results.

We typically sell our products with maintenance and support as part of the initial purchase, and a substantial portion of our annual net revenue comes from renewals of maintenance and support contracts. Our end customers have no obligation to renew their maintenance and support contracts after the expiration of the initial period, and they may elect not to renew their maintenance and support contracts, to renew their maintenance and support contracts at lower prices through alternative channel partners or to reduce the product quantity under their maintenance and support contracts, thereby reducing our future net revenue from maintenance and support contracts. If our end customers do not renew their maintenance and support contracts or if they renew them on terms that are less favorable to us, our net revenue may decline and our business will suffer.

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Our Ability to Sell Our Products Is Highly Dependent on the Quality of Our Support and Services Offerings, and Our Failure to Offer High-Quality Support and Services Could Have a Material and Adverse Effect on Our Business and Results of Operations.

Once our products are deployed within our end customers' networks, our end customers depend on our support organization and our channel partners to resolve any issues relating to our products. High-quality support is critical for the successful marketing and sale of our products. If we or our channel partners do not assist our end customers in deploying our products effectively, succeed in helping our customers resolve post-deployment issues quickly, or provide ongoing support, it could adversely affect our ability to sell our products to existing end customers and could harm our reputation with potential end customers. In addition, as we expand our operations internationally, our support organization will face additional challenges, including those associated with delivering support, training and documentation in languages other than English. Our failure or the failure of our channel partners to maintain high-quality support and services could have a material and adverse effect on our business and operating results.

Claims by Others that We Infringe Their Intellectual Property Rights Could Harm Our Business.

Our industry is characterized by vigorous pursuit and protection of intellectual property rights, which has resulted in protracted and expensive litigation for many companies. Third parties may assert claims of misappropriation of trade secrets or infringement of intellectual property rights against us or against our end customers or channel partners for which we may be liable. Until December 2011, we were involved in litigation of this kind with BlueCat Networks, Inc. and BlueCat Networks (USA), Inc. (or collectively BlueCat), one of our competitors. While we have settled this dispute and the parties have agreed, among other things, not to commence patent litigation for at least a five-year period, there can be no assurance that future litigation will not be initiated by the parties prior to the end of that period.

As our business expands, the number of products and competitors in our markets increases and product overlaps occur, infringement claims may increase in number and significance. Intellectual property lawsuits are subject to inherent uncertainties due to the complexity of the technical issues involved, and we cannot be certain that we will be successful in defending ourselves against intellectual property claims. In addition, we currently have a more limited portfolio of issued patents than our major competitors, and therefore may not be able to utilize our intellectual property portfolio effectively to assert defenses or counterclaims in response to patent infringement claims or litigation brought against us by third parties. Further, litigation may involve patent holding companies or other adverse patent owners that have no relevant product revenue and against which our potential patents may provide little or no deterrence. In addition, many potential litigants have the capability to dedicate substantially greater resources than we can to enforce their intellectual property rights and to defend claims that may be brought against them. Furthermore, a successful claimant could secure a judgment that requires us to pay substantial damages or prevents us from distributing products or performing certain services. We could also be required to seek a license for the use of that intellectual property, which might not be available on commercially acceptable terms or at all. Alternatively, we might be required to develop non-infringing technology, which could require significant effort and expense and might ultimately not be successful.

Failure to Protect Our Intellectual Property Rights Could Adversely Affect Our Business.

Our success depends, in part, on our ability to protect proprietary methods and technologies that we develop under patent and other intellectual property laws of the United States and foreign jurisdictions so that we can prevent others from using our inventions and proprietary information. If we fail to protect our intellectual property rights adequately, our competitors might gain access to our technology and our business might be harmed. In addition, we might incur significant expenses in defending our intellectual property rights, as we did in our settled patent lawsuits with BlueCat. Any of our patents, copyrights, trademarks or other intellectual property rights could be challenged by others or invalidated through administrative process or litigation.

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We could be required to spend significant resources to monitor and protect our intellectual property rights. In this regard, we have in the past initiated and may in the future initiate claims or litigation against third parties for infringement of our proprietary rights or to establish the validity of our proprietary rights. Any litigation, whether or not resolved in our favor, could result in significant expense to us and divert the efforts of our management and technical personnel, which might adversely affect our business, operating results and financial condition.

Indemnity Provisions in Various Agreements Potentially Expose Us to Substantial Liability for Intellectual Property Infringement and Other Losses.

Our agreements with customers and commercial partners include indemnification provisions, under which we agree to indemnify them for losses suffered or incurred as a result of claims of intellectual property infringement and, in some cases, for damages caused by us to property or persons or other third-party claims. The term of these indemnity provisions is generally perpetual after execution of the corresponding product sale agreement. Large indemnity payments could harm our business, operating results and financial condition.

We Rely on a Sole Source Third-Party Manufacturer for Substantially All of Our Products and Depend on It for the Supply and Quality of Our Products.

We outsource the manufacturing of substantially all of our products to Flextronics Telecom Systems, Ltd., an affiliate of Flextronics International Ltd. These arrangements subject us to the risk that the manufacturer does not provide our customers with the quality and performance that they expect or that the manufacturer does not provide us with an adequate supply of products. Our orders typically represent a relatively small percentage of the overall orders received by this manufacturer from its customers. As a result, fulfilling our orders may not be considered a priority in the event our manufacturer is constrained in its ability to fulfill all of its customer obligations in a timely manner. We must also accurately predict the number of products that we will require. If we overestimate our requirements, we may incur liabilities for excess inventory, which could negatively affect our gross margins. Conversely, if we underestimate our requirements, our manufacturer and suppliers may have inadequate supplies of the materials and components required to produce our products. In addition, we acquire some of our other products and components from sole-source suppliers. This could result in an interruption of the manufacturing of our products, delays in shipments and deferral or loss of revenue. Quality or performance failures of our products or changes in our manufacturers' financial or business condition could disrupt our ability to supply quality products to our customers and thereby have a material and adverse effect on our business and operating results.

Some of the Components and Technologies Used in Our Products are Purchased and Licensed from a Single Source or a Limited Number of Sources. The Loss of Any of These Suppliers Might Cause Us to Incur Additional Transition Costs, Result in Delays in the Manufacturing and Delivery of Our Products, or Cause Us to Carry Excess or Obsolete Inventory and Could Require Us to Redesign Our Products.

Although supplies of our components are generally available from a variety of sources, we currently depend on a single source or a limited number of sources for most components included in our products. For example, the chipsets and motherboards that we use in the products manufactured by Flextronics are currently available only from a limited number of sources, and neither we nor, to our knowledge, this manufacturer have entered into supply agreements with these sources. We have also entered into license agreements with some of our suppliers for technologies that are used in our products.

As there are no other sources for identical components and technologies, if we lost any of these suppliers, we might not be able to sell our products for a significant period of time, and we could incur significant costs to redesign our hardware and software to incorporate components

or technologies from alternative sources or to

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qualify alternative suppliers. Our reliance on a single source or a limited number of suppliers involves a number of additional risks, including risks related to:

supplier capacity constraints;

price increases;

timely delivery;

component quality; and

natural disasters.

In addition, for certain components for which there are multiple sources, we are subject to potential price increases and limited availability as a result of market demand for these components. In the past, unexpected demand for computer and network products has caused worldwide shortages of certain electronic parts. If similar shortages occur in the future, our business would be adversely affected. For example, the supplier of a key component included in some of our products was affected by flooding in Thailand in our last fiscal year, which has resulted in a sustained and substantial price increase for this component. We carry very little inventory of our products, and we and our manufacturer rely on our suppliers to deliver necessary components in a timely manner. We and our manufacturer rely on purchase orders rather than long-term contracts with these suppliers, and as a result we or our manufacturer might not be able to secure sufficient components, even if they were available, at reasonable prices or of acceptable quality to build products in a timely manner and, therefore, might not be able to meet customer demands for our products, which would have a material and adverse effect on our business, operating results and financial condition.

We Rely on the Availability of Third-Party Licenses and, in the Future, if These Licenses are Available to Us Only on Less Favorable Terms or Not Available at All, Our Business and Operating Results Would be Harmed.

Our products include software and other technology licensed from third parties. It may be necessary in the future to renew licenses relating to various aspects of these products or to seek additional licenses for existing or new products. There can be no assurance that the necessary licenses would be available on acceptable terms or at all. The inability to obtain certain licenses or other rights or to obtain those licenses or rights on favorable terms, or the need to engage in litigation regarding these matters, could result in delays in product releases until such time, if ever, as equivalent technology could be identified, licensed or developed and integrated into our products and might have a material adverse effect on our business, operating results and financial condition.

Our International Sales and Operations Subject Us to Additional Risks that May Materially and Adversely Affect Our Business and Operating Results.

During 2010, 2011 and 2012, 41.0%, 41.5% and 40.6% of our net revenue were derived from customers outside of the United States. During 2012, we experienced relatively slower growth in Europe, Middle East and Africa as compared to other geographies, and there can be no assurance that this trend will change in the foreseeable future. Sales to these end customers have typically been denominated in U.S. dollars. Fluctuations in currency exchange rates could cause our products to become relatively more expensive to end customers in a particular country,

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leading to a reduction in sales or profitability in that country. We are also exposed to movements in foreign currency exchange rates relating to operating expenses associated with our operations and personnel outside the United States. We have research and development personnel in Canada and France, engage contractors in Belarus, India and Thailand, and have testing and support personnel in India, and we expect to expand our offshore development efforts. In addition, we have sales and support personnel in numerous countries worldwide. We expect to continue to hire personnel in additional countries. Our international operations subject us to a variety of risks, including:

the difficulty of managing and staffing international offices and the increased travel, infrastructure and legal compliance costs associated with numerous international locations;

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reduced demand for technology products outside the United States;

difficulties in enforcing contracts and collecting accounts receivable, and longer payment cycles, especially in emerging markets;

tariffs and trade barriers, export regulations and other regulatory or contractual limitations on our ability to sell or develop our products in certain foreign markets;

increased exposure to currency exchange rate risk;

heightened exposure to political instability, war and terrorism;

added legal compliance obligations and complexity;

reduced protection for intellectual property rights in some countries;

multiple conflicting tax laws and regulations;

the need to localize our products for international end customers; and

the increased cost of terminating employees in some countries.

As we continue to expand our business globally, our success will depend, in large part, on our ability to anticipate and manage effectively these and other risks associated with our international operations. Our failure to manage any of these risks successfully could harm our international operations and reduce our international sales, adversely affecting our business, operating results and financial condition. For example, fluctuations in the U.S. dollar compared to foreign currencies have significantly affected the cost of our Canadian, Indian and European operations in recent periods, as compared to the corresponding periods in the prior year.

Our Use of and Reliance on Research and Development Resources in Foreign Countries May Expose Us to Unanticipated Costs or Events.

We have significant research and development centers in Canada and France and have significant numbers of contractors in Belarus, India and Thailand. There can be no assurance that our reliance upon research and development resources in foreign countries will enable us to achieve meaningful cost reductions or greater resource efficiency. Further, our research and development efforts and other operations in foreign countries involve significant risks, including:

difficulty hiring and retaining appropriate engineering personnel because of intense competition for engineers and resulting wage inflation;

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difficulties regarding the transfer of knowledge related to our technology and resulting exposure to misappropriation of intellectual property or information that is proprietary to us, our end customers and other third parties;

heightened exposure to change in the economic, security and political conditions in developing countries;

fluctuations in currency exchange rates and difficulties of regulatory compliance in foreign countries; and

interruptions to our operations in India or Thailand as a result of typhoons, floods and other natural catastrophic events, as well as man-made problems such as power disruptions or terrorism.

Difficulties resulting from the factors above and other risks related to our operations in foreign countries could expose us to increased expense, impair our development efforts and harm our competitive position.

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If We Fail to Manage Future Growth Effectively, Our Business Would Be Harmed.

We operate in emerging markets and have experienced, and may continue to experience, significant expansion of our operations. This growth has placed, and any future growth would continue to place, a strain on our employees, management systems and other resources. Managing our growth will require significant expenditures and allocation of valuable management resources. Further international expansion may be required for our continued business growth, and managing any international expansion would require additional resources and controls. If we fail to achieve the necessary level of efficiency in our organization as it grows, our business, operating results and financial condition would be harmed.

If We Are Unable to Hire, Retain and Motivate Qualified Personnel, Our Business Would Suffer.

Our future success depends, in part, on our ability to attract and retain highly skilled personnel. The loss of the services of any of our key personnel, the inability to attract and retain additional qualified personnel or delays in hiring required personnel, particularly in engineering and sales, could seriously harm our business, financial condition and results of operations. Any of our employees may terminate their employment at any time. Competition for highly skilled personnel is frequently intense, especially in the San Francisco Bay Area, where we have a substantial presence and need for highly skilled personnel. In addition, a large portion of our employee base is substantially vested in significant stock options, and their ability to exercise those options and sell their stock might result in a higher than normal turnover rate. Also, to the extent we hire personnel from competitors, we may be subject to allegations that they have been improperly solicited or divulged proprietary or other confidential information to us.

We Are Dependent on the Continued Services and Performance of Our Senior Management and Other Key Employees, the Loss of Any of Whom Could Adversely Affect Our Business, Operating Results and Financial Condition.

Our future performance depends on the continued services and continuing contributions of our senior management and other key employees to execute on our business plan, and to identify and pursue new opportunities and product innovations. The loss of the services of senior management or other key employees could significantly delay or prevent the achievement of our development and strategic objectives and could adversely affect our business, financial condition and results of operations.

We Expect Our Gross Margin to Vary over Time, and Our Current Level of Gross Margin May Not Be Sustainable.

Our level of gross margin may not be sustainable and may be adversely affected by numerous factors, including:

increased price competition;

changes in end customer or product and service mix;

increased inbound shipping charges;

our inability to maintain or reduce the amount we pay our third-party manufacturers;

increases in material or labor costs;

increased costs of licensing third-party technologies that are used in our products;

carrying costs of excess inventory, inventory holding charges and obsolescence charges that may be passed through to us by our third-party manufacturers;

changes in our distribution channels or our arrangements with our distributors and VARs;

increased warranty and repair costs; and

the introduction of new appliance models, which may have lower margins than our existing products.

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In this regard, in March 2012, we introduced new, higher performance appliances, which are comprised of more expensive components. We expect the introduction of these new appliances will result in lower gross margins for the foreseeable future and thus impact our operating results.

Seasonality May Cause Fluctuations in Our Net Revenue and Operating Results.

We operate on a July 31 fiscal year-end and believe that there are significant seasonal factors which may cause the second and fourth quarters of our fiscal year to have greater product revenue than our first and third fiscal quarters. We believe that this seasonality results from a number of factors, including:

end customer procurement, budget and deployment cycles in the government and education sectors, which potentially result in stronger order flow in our second fiscal quarter;

one or more of our larger end customers with a December 31 fiscal year-end choosing to spend remaining budgets before their year-end, which potentially results in a positive impact on our product revenue in the second quarter of our fiscal year;

the timing of our annual training for the entire sales force in our first fiscal quarter, which, combined with the strong fourth fiscal sales, can potentially cause our first fiscal quarter to be seasonally weak; and

seasonal reductions in business activity during August in the United States, Europe and certain other regions, which have a negative impact on our first quarter revenue.

Our rapid historical growth may have reduced the impact of seasonal or cyclical factors that might have influenced our business to date. As our increasing size causes our growth rate to slow, seasonal or cyclical variations in our operations may become more pronounced over time and may materially affect our results of operations.

If We Are Not Able to Maintain and Enhance Our Brand and Reputation, Our Business and Operating Results May Be Harmed in Tangible or Intangible Ways.

We believe that maintaining and enhancing our brand and reputation are critical to our relationships with, and our ability to attract, new end customers, technology partners and employees. The successful promotion of our brand will depend largely upon our ability to continue to develop, offer and maintain high-quality products and services, our marketing and public relations efforts, and our ability to differentiate our products and services successfully from those of our competitors. Our brand promotion activities could involve significant expenditures and may not be successful and may not yield increased revenue. In addition, extension of our brand to products and uses different from our traditional products and services may dilute our brand, particularly if we fail to maintain the quality of products and services in these new areas. If we do not successfully maintain and enhance our brand and reputation, our growth rate may decline, we may have reduced pricing power relative to competitors with stronger brands or reputations, and we could lose end customers or technology partners, all of which would harm our business, operating results and financial condition.

In addition, from time to time independent industry analysts may provide reviews of our products and services, as well as those of our competitors, and perception of our products in the marketplace may be significantly influenced by these reviews. We have no control over what these industry analysts report, and because industry analysts may influence current and potential end customers, our brand could be harmed if industry analysts do not provide positive reviews of our products or identify them as market leaders.

If Our Products Contain Undetected Software or Hardware Errors, We Could Incur Significant Unexpected Expenses and Lost Sales and Revenue and We Could Be Subject to Product Liability Claims.

Products such as ours frequently contain undetected software or hardware errors, many of which are identified only when our products are first introduced or as new versions are released. We have experienced

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errors in the past in connection with our products. We expect that errors will be found from time to time in new or enhanced products after commencement of commercial shipments. Since our products contain components that we purchase from third parties, we also expect our products to contain latent defects and errors from time to time related to those third-party components. These problems may cause us to incur significant warranty and repair costs, process management costs, and costs associated with remanufacturing our inventory. In addition, regardless of the party at fault, errors of these kinds divert the attention of our engineering personnel from our product development efforts, damage our reputation and the reputation of our products, cause significant customer relations problems and can result in product liability claims. The occurrence of these problems could result in the delay or loss of market acceptance of our products and could adversely impact our business, operating results and financial condition.

Our Business Is Subject to the Risks of Warranty Claims, Product Returns, Product Liability and Product Defects.

Real or perceived errors, failures or bugs in our products could result in claims by customers for losses that they sustain. If customers make these types of claims, we may be required, or may choose, for customer relations or other reasons, to expend additional resources in order to help correct the problem. Liability provisions in our standard terms and conditions of sale, and those of our resellers and distributors, may not be enforceable under some circumstances or may not fully or effectively protect us from customer claims and related liabilities and costs, including indemnification obligations under our agreements with resellers and distributors. The sale and support of our products also entail the risk of product liability claims. We maintain insurance to protect against certain types of claims associated with the use of our products, but our insurance coverage may not adequately cover any such claims. In addition, even claims that ultimately are unsuccessful could result in expenditures of funds in connection with litigation and divert management's time and other resources.

We Depend on the U.S. Government for a Portion of Our Sales, Which Are Facilitated through Resellers on Which We Also Depend for These Sales. Any Reductions in Sales to the U.S. Government, as a Result of the Loss of Reseller Relationships or Any Other Reason, Could Harm Our Growth.

A significant portion of our sales is made to certain departments of the U.S. government. Nearly all of these sales are made through resellers. Any factors that cause a decline in government expenditures generally or government IT expenditures in particular could cause our net revenue to grow less rapidly or even to decline. The timing of fulfillment under government contracts can also be uncertain. In addition, since in most cases we are unable to fulfill orders from the U.S. government directly, the loss of key reseller relationships could adversely affect our ability to fulfill certain orders from the government until we are able to find and qualify a suitable alternative. This, in turn, would cause revenue to be delayed and could cause sales to be lost.

Our Net Revenue May Decline as a Result of Reductions in Public Funding of Educational Institutions.

We regard sales to universities, colleges and other educational institutions as an important source of net revenue. Many of these institutions receive funding from local tax revenues and from state and federal governments through a variety of programs. Federal, state or local funding of public education may be reduced for a variety of reasons, including budget-driven austerity measures, legislative changes or fluctuations in tax revenues because of changing economic conditions. If funding of public education declines for these or any other reason, our sales to educational institutions might be negatively impacted. Any reduction in spending on IT systems by educational institutions would likely materially and adversely affect our business and results of operations.

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We Are an Emerging Growth Company, and Any Decision on Our Part to Comply Only with Certain Reduced Disclosure Requirements Applicable to Emerging Growth Companies Could Make Our Common Stock Less Attractive to Investors.

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act enacted in April 2012, and, for as long as we continue to be an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to emerging growth companies, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. To date, we have chosen to avail ourselves of emerging growth company status for all purposes other than the adoption of accounting standards and auditor attestation requirements. We could remain an emerging growth company for up to five years, although, if the market value of our common stock that is held by non-affiliates exceeds \$700 million as of any January 31 before the end of that five-year period, we would cease to be an emerging growth company as of the following July 31. We cannot predict if investors will find our common stock less attractive if we choose to rely on these exemptions. If some investors find our common stock less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for our common stock and our stock price may be more volatile.

Under the Jumpstart Our Business Startups Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

We Incur Increased Costs and Demands upon Management as a Result of Complying with the Laws and Regulations Affecting Public Companies, Which Could Harm Our Operating Results.

As a public company and particularly after we cease to be an emerging growth company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act and rules subsequently implemented by the SEC and the New York Stock Exchange, or NYSE, impose various requirements on public companies, including requiring changes in corporate governance practices. Our management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations have increased and will continue to increase our legal, accounting and financial compliance costs and have made and will continue to make some activities more time-consuming and costly. For example, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or to incur substantial costs to maintain the same or similar coverage. These rules and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors or our board committees or as executive officers.

Beginning with the year ending July 31, 2013, the Sarbanes-Oxley Act will require, among other things, that we assess the effectiveness of our internal control over financial reporting annually and the effectiveness of our disclosure controls and procedures quarterly. In particular, we will need to perform system and process evaluation and testing of our internal control over financial reporting to allow management to report on, and our independent registered public accounting firm potentially to attest to, the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Our compliance with all applicable provisions of Section 404 will require that we incur substantial accounting expense and expend significant management time on compliance-related issues as we implement additional corporate governance practices and comply with reporting requirements. Moreover, if we are not able to comply with the requirements

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of Section 404 applicable to us in a timely manner, or if we or our independent registered public accounting firm identifies deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline and we could be subject to sanctions or investigations by the NYSE, the SEC or other regulatory authorities, which would require additional financial and management resources.

Furthermore, investor perceptions of our company may suffer if deficiencies are found, and this could cause a decline in the market price of our stock. Irrespective of compliance with Section 404, any failure of our internal controls could have a material adverse effect on our stated results of operations and harm our reputation. If we are unable to implement these changes effectively or efficiently, it could harm our operations, financial reporting or financial results and could result in an adverse opinion on internal control from our independent registered public accounting firm.

Acquisitions and Investments Could Result in Operating Difficulties, Dilution and Other Harmful Consequences.

We expect to continue to evaluate and enter into discussions regarding potential strategic transactions. These transactions could be material to our financial condition and results of operations. The process of integrating Netcordia, the Solsoft technology and other acquired businesses and technology has created unforeseen operating difficulties and expenditures as would the integration of any future acquisitions. The areas where we face risks include:

implementation or remediation of controls, procedures and policies at the acquired company;

diversion of management time and focus from operating our business to addressing acquisition integration challenges;

coordination of product, engineering and sales and marketing functions;

transition of the acquired company's operations, users and end customers onto our existing platforms;

retention of employees from the acquired company;

cultural challenges associated with integrating employees from the acquired company into our organization;

integration of the acquired company's accounting, management information, human resources and other administrative systems;

liability for activities of the acquired company before the acquisition, including patent and trademark infringement claims, violations of laws, commercial disputes, tax liabilities and other known and unknown liabilities;

litigation or other claims in connection with the acquired company, including claims from terminated employees, end customers, former stockholders or other third parties;

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in the case of foreign acquisitions, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries;

diversion of engineering resources away from development of our core products; and

failure to continue to develop the acquired technology successfully.

Our failure to address these risks or other problems encountered in connection with our past or future acquisitions and investments could cause us to fail to realize the anticipated benefits of these acquisitions or investments, cause us to incur unanticipated liabilities and harm our business generally. Future acquisitions could also result in dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities, amortization expenses or the write-off of goodwill, any of which could harm our financial condition. Also, the anticipated benefits of any acquisitions may not materialize.

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We Rely on Third Parties for the Fulfillment of Our End Customer Orders and Replacements, and the Failure of These Third Parties to Perform Could Have an Adverse Effect upon Our Reputation and Our Ability to Distribute Our Products, Which Could Cause a Material Reduction in Our Net Revenue.

We rely on our third-party manufacturers to build and inventory sufficient quantities of our products to fulfill end customer orders, and we also use third parties to transport our products, hold our inventory in local depots in foreign countries and fulfill our end customer replacement requirements. If our third-party agents fail to perform, our ability to deliver our products and to generate revenue would be adversely affected. The failure of our third-party manufacturers and other third-party logistics providers to deliver products in a timely manner could lead to the dissatisfaction of our channel partners and end customers and damage our reputation, which might cause our channel partners or end customers to cancel existing agreements with us and to stop transacting business with us. In addition, this reliance on our third-party manufacturers and third-party logistics providers may impact the timing of our revenue recognition if our providers fail to deliver orders during the prescribed time period. In the event we were unexpectedly forced to change providers, we could experience short-term disruptions in our delivery and fulfillment process that could adversely affect our business.

Our Use of Open Source Software Could Impose Limitations on Our Ability to Commercialize Our Products.

Our products contain software modules licensed for use from third-party authors under open source licenses, including the GNU Public License, the GNU Lesser Public License and the Apache License. Use and distribution of open source software may entail greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code. Some open source licenses contain requirements that we make available source code for modifications or derivative works that we create based upon the type of open source software we use. If we combine our proprietary software with open source software in a certain manner, we could, under certain of the open source licenses, be required to release the source code of our proprietary software to the public. This could allow our competitors to create similar products with lower development effort and time and ultimately could result in a loss of product sales for us.

The terms of many open source licenses have not been interpreted by U.S. courts, and there is a risk that these licenses could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to commercialize our products. In such event, we could be required to seek licenses from third parties in order to continue offering our products and to re-engineer our products or to discontinue the sale of our products in the event re-engineering cannot be accomplished on a timely basis, any of which could materially and adversely affect our business and operating results.

Confidentiality Agreements With Employees and Others May Not Adequately Prevent Disclosure of Our Trade Secrets and Other Proprietary Information.

In order to protect our proprietary technology, processes and methods, we rely in part on confidentiality agreements with our technology partners, employees, consultants, advisors and others. These agreements may not effectively prevent disclosure of our confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of our confidential information. In addition, others may independently discover our trade secrets and proprietary information, and in these cases we would not be able to assert any trade secret rights against those parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

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Our Reported Financial Results May be Adversely Affected by Changes in Accounting Principles Applicable to us.

Generally accepted accounting principles in the United States are subject to interpretation by the Financial Accounting Standards Board, or FASB, the SEC, and other bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results and could affect the reporting of transactions completed before the announcement of a change. Any difficulties in the implementation of new or changed accounting standards could cause us to fail to meet our financial reporting obligations, which could result in regulatory discipline. In addition, the SEC has announced a multi-year plan that could ultimately lead to the use of International Financial Reporting Standards by U.S. issuers in their SEC filings. Any such change could have a significant effect on our reported financial results.

If Our Estimates Relating to Our Critical Accounting Policies Are Based on Assumptions or Judgments that Change or Prove to Be Incorrect, Our Operating Results Could Fall Below Expectations of Securities Analysts and Investors, Resulting in a Decline in Our Stock Price.

The preparation of financial statements in conformity with generally accepted accounting principles requires our management to make estimates, assumptions and judgments that affect the amounts reported in our consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. If our assumptions change or if actual circumstances differ from those in our assumptions, our operating results may be adversely affected, which could cause our operating results to fall below market expectations and our stock price to decline. Significant estimates, assumptions and judgments used in preparing our consolidated financial statements include those related to revenue recognition, determination of fair value of stock-based awards, valuation of goodwill and intangible assets acquired, impairment of goodwill and other intangible assets, amortization of intangible assets, contingencies and litigation, accounting for income taxes, including the valuation reserve on deferred tax assets and uncertain tax positions, allowances for doubtful accounts and sales returns and valuation of inventory.

Our Ability to Use Net Operating Losses to Offset Future Taxable Income May Be Subject to Certain Limitations.

In general, under Section 382 of the U.S. Internal Revenue Code of 1986, or the Code, a corporation that undergoes an ownership change is subject to limitations on its ability to utilize its pre-change net operating losses, or NOLs, to offset future taxable income. Our existing NOLs may be subject to limitations arising from previous ownership changes and, if we undergo an ownership change in connection with this offering or otherwise in the future, our ability to utilize our NOLs could be further limited by Section 382 of the Code. Future changes in our stock ownership, many of which are outside of our control, could result in an ownership change under Section 382 of the Code. Our net operating losses could also be impaired under state law. As a result, we might not be able to utilize a material portion of our NOLs.

Our Future Capital Needs Are Uncertain, and We May Need to Raise Additional Funds in the Future.

We believe that our existing cash and cash equivalents will be sufficient to meet our anticipated cash requirements for at least the next 12 months. We may, however, need to raise substantial additional capital to:

fund our operations;

continue our research and development;

commercialize new products; or

acquire companies, in-licensed products or intellectual property.

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Our future funding requirements will depend on many factors, including:

market acceptance of our products and services;

the cost of our research and development activities;

the cost of defending, in litigation or otherwise, claims that we infringe third-party patents or violate other intellectual property rights;

the cost and timing of establishing additional sales, marketing and distribution capabilities;

the cost and timing of establishing additional technical support capabilities;

the effect of competing technological and market developments; and

the market for different types of funding and overall economic conditions.

If We Require Additional Funds in the Future, Those Funds May Not be Available on Acceptable Terms, or at All.

We may require additional funds in the future, and we may not be able to obtain those funds on acceptable terms, or at all. If we raise additional funds by issuing equity securities, our stockholders may experience dilution. Debt financing, if available, may involve covenants restricting our operations or our ability to incur additional debt. Any debt or additional equity financing that we raise may contain terms that are not favorable to us or our stockholders. If we do not have, or are not able to obtain, sufficient funds, we may have to delay development or commercialization of our products or license to third parties the rights to commercialize products or technologies that we would otherwise seek to commercialize. If we raise additional funds through collaboration and licensing arrangements with third parties, it may be necessary to relinquish some rights to our technologies or our products, or to grant licenses on terms that are not favorable to us. If we are unable to raise adequate funds, we may have to liquidate some or all of our assets, or delay, reduce the scope of or eliminate some or all of our development programs. We also may have to reduce marketing, customer support or other resources devoted to our products or cease operations. Any of these actions could harm our operating results.

Changes in Our Provision for Income Taxes or Adverse Outcomes Resulting from Examination of Our Income Tax Returns Could Adversely Affect Our Results.

Our provision for income taxes is subject to volatility and could be adversely affected by the following:

changes in the valuation of our deferred tax assets;

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foreign or domestic income tax assessments and any related tax interest or penalties;

expiration of, or lapses in, the research and development tax credit laws;

tax effects of nondeductible compensation;

adjustments to the pricing of intercompany transactions and transfers of intellectual property or other assets;

changes in accounting principles; or

changes in tax laws and regulations, including changes in taxation of the services provided by our foreign subsidiaries.

Significant judgment is required to determine the recognition and measurement attributes prescribed in the accounting guidance for uncertainty in income taxes. The accounting guidance for uncertainty in income taxes applies to all income tax positions, including the potential recovery of previously paid taxes, that if settled unfavorably could adversely impact our provision for income taxes or additional paid-in capital. In addition, we are subject to the examination of our income tax returns by the U.S. Internal Revenue Service and other tax

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authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. The outcomes from these examinations might have a material and adverse effect on our operating results and financial condition.

Our Business is Subject to the Risks of Earthquakes, Fire, Floods and Other Natural Catastrophic Events, and to Interruption by Man-Made Problems Such as Power Disruptions or Terrorism.

Our corporate headquarters is located in the San Francisco Bay Area, a region known for seismic activity. We also have significant testing and support facilities in India, a region known for typhoons, floods and other natural disasters. A significant natural disaster, such as an earthquake, fire or a flood, occurring at our headquarters, at one of our other facilities or where a channel partner or supplier is located could have a material adverse impact on our business, operating results and financial condition. In addition, natural disasters and acts of terrorism could cause disruptions in our or our customers' businesses, national economies or the world economy as a whole. We also rely on IT systems to communicate among our workforce located worldwide and, in particular, our research and development activities that are coordinated between our corporate headquarters in the San Francisco Bay Area and our operations in other states and countries. Any disruption to our internal communications, whether caused by a natural disaster or by man-made problems, such as power disruptions or terrorism, could delay our research and development efforts. To the extent that these disruptions result in delays or cancellations of customer orders or delays in our research and development efforts or the deployment of our products, our business and operating results would be materially and adversely affected.

System Security Risks, Data Protection Breaches, Cyber-attacks and Systems Integration Issues Could Disrupt Our Internal Operations, and Any Such Disruption Could Reduce Our Expected Revenue, Increase Our Expenses, Damage Our Reputation and Adversely Affect Our Stock Price.

Experienced computer programmers and hackers may be able to penetrate our network security and misappropriate or compromise our confidential and proprietary information, create system disruptions or cause shutdowns. Computer programmers and hackers also may be able to develop and deploy viruses, worms, and other malicious software programs that attack our products or otherwise exploit any security vulnerabilities of our products. The costs to us to eliminate or alleviate cyber or other security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities could be significant, and our efforts to address these problems may not be successful and could result in interruptions and delays that could impede our sales, manufacturing, distribution or other critical functions.

We manage and store various proprietary information and sensitive or confidential data relating to our business in the cloud. Breaches of our security measures or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive or confidential data about us, including the potential loss or disclosure of that information or data as a result of fraud, trickery or other forms of deception, could expose us to a risk of loss or misuse of this information, result in litigation and potential liability for us, damage our brand and reputation or otherwise harm our business. In addition, the cost and operational consequences of implementing further data protection measures could be significant.

Portions of our IT infrastructure also may experience interruptions, delays or cessations of service or produce errors in connection with systems integration or migration work that takes place from time to time. We may not be successful in implementing new systems and transitioning data, which could cause business disruptions and be more expensive, time consuming, disruptive and resource-intensive. Any disruptions could adversely impact our ability to fulfill orders and interrupt other processes. Delayed sales, lower margins or lost customers resulting from these disruptions have adversely affected us in the past, and in the future could adversely affect our financial results, stock price and reputation.

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Risks Related to Ownership of Our Common Stock

Our Actual Operating Results May Differ Significantly from Our Guidance.

From time to time, we have released, and may continue to release guidance in our quarterly earnings releases, quarterly earnings conference call, or otherwise, regarding our future performance that represents our management's estimates as of the date of release. This guidance, which includes forward-looking statements, has been and will be based on projections prepared by our management. These projections are not prepared with a view toward compliance with published guidelines of the American Institute of Certified Public Accountants, and neither our registered public accountants nor any other independent expert or outside party compiles or examines the projections. Accordingly, no such person expresses any opinion or any other form of assurance with respect to the projections.

Projections are based upon a number of assumptions and estimates that, while presented with numerical specificity, are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and are based upon specific assumptions with respect to future business decisions, some of which will change. We intend to state possible outcomes as high and low ranges which are intended to provide a sensitivity analysis as variables are changed but are not intended to imply that actual results could not fall outside of the suggested ranges. The principal reason that we release guidance is to provide a basis for our management to discuss our business outlook with analysts and investors. We do not accept any responsibility for any projections or reports published by any such persons.

Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the guidance furnished by us will not materialize or will vary significantly from actual results. Accordingly, our guidance is only an estimate of what management believes is realizable as of the date of release. Actual results will vary from our guidance and the variations may be material. In light of the foregoing, investors are urged not to rely upon our guidance in making an investment decision regarding our common stock.

Any failure to successfully implement our operating strategy or the occurrence of any of the events or circumstances set forth in this Risk Factors section in this prospectus could result in the actual operating results being different from our guidance, and the differences may be adverse and material.

The Price of Our Common Stock May be Volatile, and You Could Lose All or Part of Your Investment.

In the recent past, the stock market, including technology stocks in particular, have experienced high levels of volatility. The trading price of our common stock may fluctuate substantially. The trading price of our common stock will depend on a number of factors, including those described in this Risk Factors section, many of which are beyond our control and may not be related to our operating performance. These fluctuations could cause you to lose all or part of your investment in our common stock since you might be unable to sell your shares at or above the price you paid in this offering. Factors that could cause fluctuations in the trading price of our common stock include the following:

price and volume fluctuations in the overall stock market from time to time;

volatility in the market prices and trading volumes of high technology stocks;

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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 common stock by us or our stockholders;

failure of securities analysts to maintain coverage of us, changes in financial estimates by any 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;

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announcements by us or our competitors of new products or new or terminated significant contracts, commercial relationships or capital commitments;

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 operating results;

actual or anticipated developments in our business or our competitors' businesses or the competitive landscape generally;

litigation involving us, our industry or both or investigations by regulators into our operations or those of our competitors;

developments or disputes concerning our intellectual property or other proprietary rights;

announced or completed acquisitions of businesses or technologies by us or our competitors;

new laws or regulations or new interpretations of existing laws or regulations applicable to our business;

changes in accounting standards, policies, guidelines, interpretations or principles;

any major change in our management;

general economic conditions and slow or negative growth of our markets; and

other events or factors, including those resulting from war, incidents of terrorism or responses to these events.

In addition, the stock market in general, and the market for technology companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry factors may seriously affect the market price of our common stock, regardless of our actual operating performance. In addition, in the past, following periods of volatility in the overall market and the market prices of a particular companies' securities, securities class action litigations have often been instituted against these companies. Litigation of this type, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

If Securities or Industry Analysts Issue an Adverse or Misleading Opinion Regarding Our Stock or Do Not Publish Research or Reports about Our Business, Our Stock Price and Trading Volume Could Decline.

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The trading market for our common stock will rely in part on the research and reports that equity research and other analysts publish about us and our business. We do not control these analysts or the content and opinions included in their reports. The price of our common stock could decline if one or more analysts were to downgrade our common stock or if they were to issue other unfavorable commentary or cease publishing reports about us or our business. If one or more analysts were to cease coverage of our company, we could lose visibility in the market, which in turn could cause our stock price to decline. Further, analysts may elect not to provide research coverage of our common stock, and lack of research coverage would likely adversely affect the market price of our common stock.

Concentration of Ownership among Our Existing Directors, Executive Officers and Principal Stockholders May Prevent New Investors from Influencing Significant Corporate Decisions.

Assuming the underwriters' option to purchase additional shares is not exercised, based upon beneficial ownership as of July 31, 2012, our current directors, executive officers, holders of more than 5% of our common stock and their respective affiliates will, in the aggregate, beneficially own approximately % of our outstanding common stock following this offering. These stockholders will be able to exercise a controlling

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influence over matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, and will have significant influence over our management and policies for the foreseeable future. Some of these persons or entities may have interests that are different from yours. For example, these stockholders may support proposals and actions with which you may disagree or which are not in your interests. The concentration of ownership could delay or prevent a change in control of our company or otherwise discourage a potential acquirer from attempting to obtain control of our company, which in turn could reduce the price of our common stock. In addition, these stockholders, some of which have representatives sitting on our board of directors, could use their voting control to maintain our existing management and directors in office, delay or prevent changes of control of our company, or support or reject other management and board of director proposals that are subject to stockholder approval, such as amendments to our employee stock plans and approvals of significant financing transactions.

Our Stock Price Could Decline as a Result of the Large Number of Outstanding Shares of Our Common Stock Eligible for Future Sale.

Our stock price could decline as a result of substantial sales of our common stock. In particular, prices could decline if a large number of shares of our common stock become available for sale or the perception in the market is that holders of a large number of shares, including our directors, executive officers, employees and significant stockholders, intend to sell their shares. After this offering, we will have outstanding _____ shares of our common stock, based on the number of shares outstanding as of July 31, 2012, assuming no exercise of outstanding options or warrants after July 31, 2012, other than _____ shares to be sold in this offering by certain selling stockholders upon the exercise of vested stock options. Excluding shares of our common stock for which we have a right of repurchase with respect to unvested shares and subject to the provisions of Rule 144 or Rule 701 promulgated under the Securities Act of 1933, as amended, or the Securities Act, based on an assumed offering date of July 31, 2012, shares of our common stock will be available for sale in the public market as follows:

_____ shares sold in this offering and our initial public offering will be immediately available for sale in the public market;

_____ shares will be eligible for sale in the public market on October 17, 2012, upon the expiration of lock-up and/or market standoff agreements entered into prior to our initial public offering;

_____ shares subject to transfer restrictions under our insider trading policy will be eligible for sale in the public market on the third trading day following our earnings release for the quarter ended October 31, 2012, including shares held by our affiliates; and

_____ shares will be eligible for sale in the public market upon the expiration of lock-up agreements entered into in connection with this offering as described below.

An additional _____ shares will be eligible for sale in the public market on or from time to time after October 17, 2012 upon the lapse of our right of repurchase with respect to any unvested shares, including _____ shares that are subject to trading restrictions under lock-up agreements entered into in connection with this offering as described below.

Immediately following this offering, after giving effect to the sale of shares by certain selling stockholders with registration rights, the holders of _____ shares of our common stock and certain warrant holders will be entitled to rights with respect to the registration of these shares under the Securities Act. See Description of Capital Stock Registration Rights. If we register the resale of their shares following the expiration of lock-up and market standoff agreements described in Underwriters, these stockholders could sell those shares in the public market without being subject to the volume and other restrictions of Rules 144 and 701.

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We have registered _____ shares of our common stock that have been issued or reserved for future issuance under our stock incentive plans. Of these shares, _____ shares will be eligible for sale upon the exercise of vested options after the expiration of the lock-up and standoff agreements. In addition, the shares

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subject to outstanding warrants to purchase 22,831 shares of our common stock could be eligible for sale immediately upon completion of this offering, depending upon the manner in which it is exercised.

Sales of substantial amounts of our common stock in the public market following this offering, or even the perception that these sales could occur, could cause the trading price of our common stock to decline. These sales could also make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate.

We Do Not Intend to Pay Dividends for the Foreseeable Future.

We have never declared or paid any cash dividends on our capital stock. We intend to retain any earnings to finance the operation and expansion of our business, and we do not anticipate paying any cash dividends in the foreseeable future. As a result, you will likely receive a return on your investment in our common stock only if the market price of our common stock increases.

Our Charter Documents and Delaware Law Could Discourage, Delay or Prevent a Takeover that Stockholders Consider Favorable and Could Also Reduce the Market Price of Our Stock.

Our restated certificate of incorporation and our restated bylaws contain provisions that could delay or prevent a change in control of our company. These provisions could also make it more difficult for stockholders to nominate directors for election to our board of directors and take other corporate actions. These provisions, among other things:

provide for non-cumulative voting in the election of directors;

provide for a classified board of directors;

authorize our board of directors, without stockholder approval, to issue preferred stock with terms determined by our board of directors and to issue additional shares of our common stock;

provide that only our board of directors may set the number of directors constituting our board of directors or fill vacant directorships;

provide that stockholders may remove directors only for cause;

prohibit stockholder action by written consent and limit who may call a special meeting of stockholders; and

require advance notification of stockholder nominations for election to our board of directors and of stockholder proposals.

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These and other provisions in our restated certificate of incorporation and our restated bylaws, as well as provisions under Delaware law, could discourage potential takeover attempts, reduce the price that investors might be willing to pay in the future for shares of our common stock and result in the trading price of our common stock being lower than it otherwise would be. See Description of Capital Stock Preferred Stock and Description of Capital Stock Anti-Takeover Provisions.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of the federal securities laws, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or to our future financial or operating performance. You can generally identify forward-looking statements because they contain words such as may, might, will, should, expects, plans, anticipates, intend, target, projects, contemplates, believes, estimates, predicts, potential or continue or the negative of these terms or other similar expressions that concern our expectations, strategy, plans or intentions. We have based these forward-looking statements 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 entitled Risk Factors and elsewhere in this prospectus. Accordingly, you should not rely upon forward-looking statements as predictions of future events. 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 projected in the forward-looking statements. Forward-looking statements contained in this prospectus include, but are not limited to, statements about:

our expectations regarding our results of operations and financial condition;

anticipated trends and challenges in our business and in the markets in which we operate;

our anticipated strategies for growth and sources of new revenue;

the impact of seasonality on our business;

our current and future products and enhancements and plans to promote them;

our ability to anticipate market needs and develop new and enhanced products and services to meet those needs;

maintaining and expanding our end customer base and our relationships with our channel partners;

our ability to compete in our rapidly evolving markets and innovation by our competitors;

our reliance on third-party manufacturers;

the evolution of technology affecting our products, services and markets;

our ability to retain and hire necessary employees and to staff our operations appropriately;

management compensation and the methodology for its determination;

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our ability to find future acquisition opportunities on favorable terms or at all and to manage any acquisitions;

our liquidity and working capital requirements;

our need to obtain additional funding and our ability to obtain future funding on acceptable terms;

our ability to stay abreast of new or modified laws and regulations that currently apply or become applicable to our business both in the United States and internationally;

the estimates and estimate methodologies used in preparing our consolidated financial statements and determining option exercise prices; and

the future trading prices of our common stock and the impact of securities analysts' reports on these prices.

The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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The selling stockholders are selling all of the shares of common stock being sold in this offering, including any shares sold upon the exercise of the underwriters' option to purchase additional shares in this offering. Accordingly, we will not receive any proceeds from the sale of shares of common stock in this offering. The principal purposes of this offering are to facilitate an orderly distribution of our shares by selling stockholders and increase our public float.

MARKET PRICE OF COMMON STOCK

Our common stock has been listed on the NYSE under the symbol BLOX since April 20, 2012. Prior to that date, there was no public trading market for our common stock. Our IPO was priced at \$16.00 per share on April 19, 2012. The following table sets forth for the periods indicated the high and low closing sale price per share of our common stock as reported on the NYSE:

	Low	High
Fiscal Year ended July 31, 2012		
Third Quarter (beginning April 20, 2012)	\$ 20.10	\$ 21.30
Fourth Quarter	\$ 17.48	\$ 22.93
Fiscal Year ending July 31, 2013		
First Quarter (through September 18, 2012)	\$ 20.00	\$ 23.39

On September 18, 2012, the last reported sale price of our common stock on the NYSE was \$22.17 per share. As of August 31, 2012, there were approximately 504 holders of record of our common stock. As many of our shares of common stock are held by brokers and other institutions on behalf of shareholders, we are unable to estimate the total number of beneficial holders of our common stock represented by these record holders.

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 cash dividends on our common stock for the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors and will be dependent on a number of factors, including our earnings, capital requirements and overall financial condition.

Table of Contents**CAPITALIZATION**

The following table sets forth our consolidated cash and cash equivalents and capitalization as of July 31, 2012. You should read this table together with our consolidated financial statements and related notes, Selected Consolidated Financial Data and Management's Discussion and Analysis of Financial Condition and Results of Operations, each included elsewhere in this prospectus.

	As of July 31, 2012 (In thousands,
	except share
	and per share data)
Cash and cash equivalents	\$ 156,613
Stockholders' equity:	
Convertible preferred stock, \$0.0001 par value per share: 5,000,000 shares authorized, no shares issued or outstanding	
Common stock, \$0.0001 par value per share: 150,000,000 shares authorized; 45,737,770 shares issued and outstanding	5
Additional paid-in capital	250,206
Accumulated deficit	(108,136)
Total stockholders' equity	142,075
Total capitalization	\$ 142,075

The number of shares of common stock issued and outstanding in the table above does not include the following shares:

11,847,046 shares of our common stock issuable upon the exercise of stock options outstanding as of July 31, 2012, with a weighted-average exercise price of \$6.16 per share and 35,550 shares of our common stock issuable upon the settlement of restricted stock units outstanding as of July 31, 2012;

19,922 shares of our common stock issuable upon the exercise of stock options granted after July 31, 2012, with a weighted-average exercise price of \$20.36 per share and 851,725 shares of our common stock issuable upon the settlement of restricted stock units granted after July 31, 2012;

22,831 shares of our common stock issuable upon the exercise of warrants outstanding as of July 31, 2012, with a weighted-average exercise price of \$4.05 per share; and

4,640,628 shares of our common stock reserved for future issuance under our 2012 Equity Incentive Plan and 1,500,000 shares of our common stock reserved for future issuance under our 2012 Employee Stock Purchase Plan; and shares that become available pursuant to provisions of each plan that automatically increase their share reserves each year, as more fully described in Executive Compensation Employee Benefit Plans.

Table of Contents**SELECTED CONSOLIDATED FINANCIAL DATA**

We derived the selected consolidated statement of operations data for the years ended July 31, 2010, 2011 and 2012 and the selected consolidated balance sheet data as of July 31, 2011 and 2012 from our audited consolidated financial statements included elsewhere in this prospectus. We derived the selected consolidated statement of operations data for the years ended July 31, 2008 and 2009 and the selected consolidated balance sheet data as of July 31, 2008, 2009 and 2010 from our audited consolidated financial statements which are not included in this prospectus. Our historical results are not necessarily indicative of the results to be expected in the future. You should read the following selected consolidated financial data in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements, related notes and other financial information included elsewhere in this prospectus. The selected consolidated financial data in this section is not intended to replace the consolidated financial statements and is qualified in its entirety by the consolidated financial statements, related notes and other financial information included elsewhere in this prospectus.

	Year Ended July 31,				
	2008	2009	2010	2011	2012
	(In thousands, except per share data)				
Consolidated Statement of Operations Data:					
Net revenue:					
Products and licenses	\$ 38,518	\$ 35,358	\$ 65,849	\$ 80,274	\$ 95,012
Services	17,508	26,355	36,319	52,561	74,234
Total net revenue	56,026	61,713	102,168	132,835	169,246
Cost of revenue ⁽¹⁾ :					
Products and licenses ⁽²⁾	9,929	9,036	13,770	16,652	21,778
Services	5,291	6,120	8,183	12,187	15,342
Total cost of revenue	15,220	15,156	21,953	28,839	37,120
Gross profit	40,806	46,557	80,215	103,996	132,126
Operating expenses:					
Research and development ⁽¹⁾	14,373	15,396	18,066	29,605	36,624
Sales and marketing ⁽¹⁾⁽²⁾	31,190	34,685	45,413	67,390	86,474
General and administrative ⁽¹⁾	5,890	6,553	8,380	10,831	15,548
Total operating expenses	51,453	56,634	71,859	107,826	138,646
Income (loss) from operations	(10,647)	(10,077)	8,356	(3,830)	(6,520)
Other income (expense), net	151	(63)	(357)	(690)	(946)
Income (loss) before provision for income taxes	(10,496)	(10,140)	7,999	(4,520)	(7,466)
Provision for income taxes	168	276	1,011	802	744
Net income (loss)	\$ (10,664)	\$ (10,416)	\$ 6,988	\$ (5,322)	\$ (8,210)
Net income (loss) attributable to common stockholders ⁽³⁾ :					
Basic	\$ (10,664)	\$ (10,416)	\$ 101	\$ (5,322)	\$ (8,210)
Diluted	\$ (10,664)	\$ (10,416)	\$ 124	\$ (5,322)	\$ (8,210)
Net income (loss) per share attributable to common stockholders ⁽³⁾ :					
Basic	\$ (1.76)	\$ (1.50)	\$ 0.01	\$ (0.54)	\$ (0.40)

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Diluted	\$ (1.76)	\$ (1.50)	\$ 0.01	\$ (0.54)	\$ (0.40)
Weighted-average shares used in computing net income (loss) per share attributable to common stockholders ⁽³⁾ :					
Basic	6,044	6,966	7,768	9,933	20,563
Diluted	6,044	6,966	10,281	9,933	20,563

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(1) Results above include stock-based compensation as follows:

	2008	2009	Year Ended July 31,		2012
			2010	2011	
	(In thousands)				
Stock-based compensation:					
Cost of revenue	\$ 63	\$ 102	\$ 146	\$ 283	\$ 700
Research and development	305	440	580	1,126	2,363
Sales and marketing	503	606	1,311	2,546	5,409
General and administrative	266	312	651	1,178	2,180
Total stock-based compensation	\$ 1,137	\$ 1,460	\$ 2,688	\$ 5,133	\$ 10,652

(2) Results above include intangible asset amortization expense as follows:

	2008	2009	Year Ended July 31,		2012
			2010	2011	
	(In thousands)				
Intangible asset amortization expense:					
Cost of products and licenses revenue	\$ 286	\$ 286	\$ 440	\$ 1,059	\$ 1,302
Sales and marketing	7	7	553	2,243	1,560
Total intangible asset amortization expense	\$ 293	\$ 293	\$ 993	\$ 3,302	\$ 2,862

(3) Please see note 2 of our notes to the consolidated financial statements included elsewhere in this prospectus for an explanation of the calculations of our basic and diluted net income (loss) per share attributable to common stockholders.

	2008	2009	As of July 31,		2012
			2010	2011	
	(In thousands)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	\$ 11,132	\$ 12,248	\$ 27,390	\$ 42,207	\$ 156,613
Working capital (deficit)	(5,571)	(11,872)	4,158	9,256	113,642
Total assets	26,791	26,365	91,204	120,017	242,983
Deferred revenue, net current and long-term	25,426	35,017	42,749	61,999	76,667
Convertible preferred stock	77,916	77,916	107,506	107,506	
Total stockholders' equity (deficit)	(85,838)	(94,355)	(69,999)	(69,032)	142,075

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**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 our Selected Consolidated Financial Data and our consolidated financial statements and related notes included elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those forward-looking statements. Our fiscal year ends on July 31, and references throughout this prospectus to a given year are to our fiscal year ended on that date. Factors that could cause or contribute to those differences include, but are not limited to, those identified below and those discussed above in the section entitled Risk Factors.

Overview

We are a leader in automated network control and provide an appliance-based solution that enables dynamic networks and next-generation data centers. Our solution combines real-time IP address management with the automation of key network control and network change and configuration management processes in purpose-built physical and virtual appliances. It is based on our proprietary software that is highly scalable and automates vital network functions, such as IP address management, device configuration, compliance, network discovery, policy implementation, security and monitoring. Our solution enables our end customers to create dynamic networks, address burgeoning growth in the number of network-connected devices and applications, manage complex networks efficiently and capture more fully the value from virtualization and cloud computing. Our physical appliances are built by third-party manufacturers and primarily utilize readily available components. Our virtual appliances are designed to approximate their physical counterparts in functionality, scalability and performance and currently operate in VMware virtual environments and are integrated within certain Cisco and Riverbed products.

We were founded in 1999 and, since that time, have expended more than \$205.0 million in creating a solution that combines real-time IP address management with the automation of key network control and network change and configuration management processes. In 2001, after two years of research and development, we launched an integrated DNS and DHCP appliance. In 2005, we introduced, across all of our products, our proprietary Grid technology, which utilizes our real-time distributed network database to provide always-on access to network control data through a scalable, redundant and reliable architecture. One year later, we introduced real-time IP address management across all of our products to enhance further our network control offerings. In May 2010, we acquired Nectordia, Inc., an early stage company, whose network change and configuration management products and technologies we integrated with our product offerings to provide an integrated automated network control solution. This solution enables dynamic networks that are scalable and efficient, and require less administration. It includes a broad suite of purpose-built physical and virtual appliances and integrated, proprietary software that provides a range of scaling and performance capabilities. In March 2012, we launched our Trinzic series of appliances and experienced strong demand for these appliances. In future quarters, we expect our product sales mix to consist primarily of these higher-cost appliances and, therefore, our total gross margin to decline as compared to 2012. Our physical appliances are built by third-party manufacturers and primarily utilize readily available components. Our virtual appliances are designed to approximate their physical counterparts in functionality, scalability and performance and currently operate in VMware virtual environments and are integrated within certain Cisco and Riverbed products.

We derive revenue from sales and licensing of our products and sales of our services. We generate products and licenses revenue primarily from sales of perpetual licenses to our software installed on our