

INFOBLOX INC  
Form 10-K  
September 14, 2012

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

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Form 10-K

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(Mark One)

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

For the fiscal year ended July 31, 2012

Or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number: 001-35507

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INFOBLOX INC.  
(Exact name of registrant as specified in its charter)

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Delaware  
(State or other jurisdiction of  
incorporation or organization)

20-0062867  
(I.R.S. Employer  
Identification No.)

4750 Patrick Henry Drive  
Santa Clara, California 95054  
(Address of principal executive offices and zip code)

(408) 625-4200  
Registrant's telephone number, including area code

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$0.0001 par value per share	New York Stock Exchange

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months ( or for such shorter period that the registrant was required to submit and post such files).  Yes  No

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

As of January 31, 2012, the last business day of the registrant's most recently completed second fiscal quarter, the registrant's common stock was not listed on any exchange or over-the-counter market. The registrant's common stock began trading on the New York Stock Exchange on April 20, 2012.

As of August 31, 2012, 45,741,699 shares of the registrant's common stock were outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Definitive Proxy Statement for the registrant's 2012 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A are incorporated by reference in Items 10 - 14 of Part III of this Annual Report on Form 10-K.

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (“Report”), including the “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” contains forward-looking statements regarding future events and our future results that are based on our current expectations, estimates, forecasts, and projections about our business, our results of operations, the industry in which we operate and the beliefs and assumptions of our management. Words such as “expects,” “anticipates,” “targets,” “goals,” “projects,” “would,” “could,” “intends,” “plans,” “believes,” “seeks” and “estimates” these words, and similar expressions are intended to identify those forward-looking statements. These forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in this Report under the section entitled “Risk Factors” in Item 1A of Part I and elsewhere herein, and in other reports we file with the SEC. While forward-looking statements are based on reasonable expectations of our management at the time that they are made, you should not rely on them. We undertake no obligation to revise or update publicly any forward-looking statements for any reason, whether as a result of new information, future events or otherwise, except as may be required by law.

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PART I

ITEM 1. BUSINESS

General

Infoblox Inc. (together with its subsidiaries, “we” or “our”) is a leader in automated network control and provides 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 were originally incorporated in Illinois in February 1999 and reincorporated in Delaware in May 2003. 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. We completed our initial public offering, or IPO, of common stock in April 2012.

Our corporate headquarters are located at 4750 Patrick Henry Drive, Santa Clara, California 95054, and our main telephone number is (408) 625-4200. We maintain a website at [www.infoblox.com](http://www.infoblox.com). The contents of our website are not incorporated into, or otherwise to be regarded as part of, this Annual Report on Form 10-K.

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. Network control consists of a number of complex functions and processes, including IP address management, device configuration, compliance, network discovery, policy implementation, security and monitoring. 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.



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### Our Products

We offer a solution that combines real-time IP address management with the automation of key network control and network change and configuration management processes through a range of purpose-built physical and virtual appliances that are integrated with our proprietary software and provide varying levels of performance targeted to meet specific end customer needs. Our appliances can be deployed on a stand-alone basis or in combinations utilizing our Grid architecture across a variety of network environments. Our virtual appliances either are integrated within Cisco UCS Express and Riverbed Steelhead products or operate in VMware virtual environments, and are designed to approximate their physical counterparts in functionality, scalability and performance.

We offer two families of products: Trinzic DDI and NetMRI. Our Trinzic DDI product family enables real-time DNS, DHCP and IPAM (IP address management), which we refer to as DDI, and automates key network control processes. Our NetMRI product family automates network change and configuration management processes. The Trinzic DDI and NetMRI families are designed to work together and collectively provide an automated network control solution which enables dynamic networks that are scalable, reliable, cost-effective and easy to use.

### Trinzic DDI Family

We derive most of our product revenue from our Trinzic DDI family of products. The components of our Trinzic DDI family, which can be purchased independently, are Trinzic DDI, Trinzic IPAM for Microsoft, Trinzic Reporting and Load Balancer Manager.

**Trinzic DDI.** Our Trinzic DDI product is a secure, real-time appliance that is designed to ensure the continuous operation of network control. Trinzic DDI leverages our proprietary software, which automates the routine, repetitive and time-consuming manual tasks associated with deploying and managing DNS, DHCP and IP address management and thus facilitates continuous and dynamic network availability for mission-critical business processes. A Trinzic DDI appliance can be used in a standalone configuration or combined with other appliances using our Grid technology to view and manage through a web-based management interface complex networks consisting of thousands of Trinzic appliances and millions of IP addresses.

**Trinzic IPAM for Microsoft.** Trinzic IPAM for Microsoft provides a single, web-based management interface for the centralized management of Microsoft DNS, DHCP and multiple IP address pools without any installation of software on Microsoft servers. When implemented together with our Trinzic DDI product, Trinzic IPAM for Microsoft permits network-wide management of Infoblox DNS, DHCP and IPAM servers and Microsoft servers from a single point of control.

**Trinzic Reporting.** Trinzic Reporting may be sold with our Trinzic DDI product at the time of initial deployment or thereafter and leverages Grid. Trinzic Reporting is sold as an appliance and provides long-term reporting, trending, analysis and tracking capabilities to report network utilization, isolate performance problems, implement DHCP and DNS capacity planning and identify security threats. Trinzic Reporting automates time-consuming manual tasks associated with collecting, tabulating and correlating data through our single point of control.

**Load Balancer Manager.** The Load Balancer Manager with Trinzic DDI enables organizations for the first time to manage all aspects of their DNS infrastructure centrally from a single point of control using automated tools that make network administrators performing global load balancer tasks more efficient, and conform to the organization's existing DNS structure and policies. The Load Balancer Manager is designed to automatically discover the organization's global load balancers and manage them through the Trinzic DDI single point of control. The Load Balancer Manager is sold to existing Trinzic DDI customers that have the F5 Big IP Global Traffic Manager; it is sold on a dedicated Grid appliance or as a software module.





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### NetMRI Family

We introduced our NetMRI family of products in 2010. The components of our NetMRI family, which can be purchased independently, are NetMRI, Automation Change Manager and Switch Port Manager.

**NetMRI.** Our NetMRI product automates network change and configuration management processes. NetMRI enables IT organizations to automate time-sensitive network changes, gain visibility into the impact of changes occurring on the network, manage network configurations and meet a variety of compliance requirements for both physical and virtual machines. NetMRI discovers and monitors network infrastructure devices to determine critical network information. It uses this information to analyze network stability, to identify unauthorized devices and to take inventory of network devices for inventory management and/or troubleshooting. Net MRI automates the network compliance process to meet corporate security requirements and provide the necessary information and control for internal and external compliance mandates through built-in authoritative rules, policies and implementation templates. NetMRI also automatically alerts IT personnel in the event of a compliance failure and permits the establishment and deployment with single-click simplicity of specific end customer requirements to support compliance mandates.

**Automation Change Manager.** Automation Change Manager automates network configuration functions so that end customers can make network changes without manual intervention and in real-time. This allows a network to deliver the on-demand requirements of virtualization and cloud computing. Automation Change Manager may be sold with our Trinzic DDI product at the time of initial deployment or thereafter and is designed to provide tight integration and automation of common network tasks to reduce manual intervention and improve time to value.

**Switch Port Manager.** Switch Port Manager enables our end customers to identify the number of switch ports, manage them precisely and locate the next available switch port. It helps provide comprehensive views and management of switches with both current and historical IP addresses, MAC addresses, VLAN mappings and network device topology information so that the network administrator can easily track authorized devices and find rogue devices that can pose security risks and create network instability. Switch Port Manager may be sold with our Trinzic DDI product at the time of initial deployment or thereafter and allows automated discovery of network device configuration information used in automation and compliance reporting. When implemented together with our Trinzic DDI product, it combines rich IP address data with detailed network data to provide comprehensive visibility into the network in order to automate vital network functions.

### Our Customer Support and Services

#### Maintenance and Support

Our support organization provides tiered support to our channel partners and end customers 24 hours a day, by email, telephone and the Internet. We provide support through our technical support engineers and through our network of authorized and certified channel partners. We maintain technical support assistance centers in the United States, Belgium, India and Japan. These technical assistance centers provide help desk assistance on product configuration, usage, software maintenance, and problem isolation and resolution. We also provide hardware replacement support via logistics centers located in 19 locations globally. End customers and channel partners have access to our knowledge management, online case management and self-help portal to track and manage their support requests efficiently. End customers that purchase our products must also purchase one-year maintenance and support contracts, which they may, and typically do, elect to renew in subsequent years.

#### Consulting

Our consulting services assist end customers in planning, designing, implementing, operating and optimizing our solution for their networks. Our consulting engineers work closely with end customers during the planning cycle to bring strategic insight to the development of a solution that is tailored to the end customer's specific requirements. Our consulting engineers assist end customers in making rapid migrations to our solution, identifying and adopting best practices for real-time network infrastructure architecture and instituting processes that can result in faster deployment of applications, servers, network devices and network endpoints. These services include network control architecture consulting, migration planning, implementation, best practice audits, IPv6 and DNS security readiness and compliance policy development.

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### Training

We provide training services to educate our end customers and channel partners on the implementation, use, functionality and ongoing maintenance of our products. We offer these services through our training organization and also through a global network of authorized and certified training companies. We also have training programs that provide multiple certification tracks for network administrators, engineers, trainers and channel partner personnel.

### Technology

Our proprietary technology and system architecture are critical components of our automated network control solution. Their differentiating elements include:

**Infoblox Grid Scalability.** Our solution is based on our Infoblox Grid technology and system architecture. Grid utilizes our real-time distributed network database to provide “always-on” access to network control data through a scalable, redundant and reliable architecture. The Grid is formed when a collection of physical and virtual appliances are used to collaborate as a single, unified system. This network of appliances is organized into a Grid by designating a Grid Master and Grid Members. The Grid Master is central to the Grid architecture and maintains the accuracy of the network database that is distributed among the other Infoblox appliances, or Grid Members, forming the Grid. Grid Members may or may not be located in the same physical location, as the Grid Master. The end customer may choose Grid Members that are either physical or virtual, integrated within products sold by Cisco and Riverbed or operating in a VMware environment. The Grid Master provides data integrity and ensures that accurate information is distributed among the other Grid Members. Grid enables organizations to easily expand their processing performance and the automation capabilities of their network control environments by efficiently adding new appliances.

**Multi-Grid Scalability.** Our Grid technology permits multiple Grids to be connected, thereby enabling organizations to expand their network control environments even further and to achieve even greater performance and scalability. We refer to this as our Infoblox Multi-Grid Management solution, or Multi-Grid. Multi-Grid allows organizations to control multiple Grid Masters, each of which can control Grid Members with individual policies and configurations. Multi-Grid enables organizations to manage up to 12,500 Grid Members, providing high levels of scalability, performance and availability.

**High Availability.** Our architecture is fault-tolerant and operates despite network faults and other failures to maintain continuous access to networks and applications. Legacy network control processes are often deployed on a single device and utilize technologies that were not designed to be fault tolerant. We have designed our Grid architecture to eliminate a single point of failure through an interconnection between the Grid Master and the Grid Members. Grid employs a distributed set of appliances and a network-wide database, where relevant information is propagated by the Grid Master and shared with Grid Members to ensure availability through redundancy of that information. If a Grid Master fails, then an on-deck Grid Master candidate that has the most current network control database is immediately promoted to replace it. If a Grid Member fails, another Grid Member replaces it and synchronizes with the Grid Master to get the necessary data. If a link between a Grid Member and a Grid Master fails, the Grid Member continues to operate independently, all of the data at the Grid Member are queued until the connection is restored, and then the data are synchronized with the Grid Master.

**Robust Data Management.** Our solution overcomes data management challenges inherent in network automation. Legacy network control approaches utilize different tools and processes to manage different types of data. As a result, legacy network control approaches often result in unsynchronized data, which can cause failures in the network. Furthermore, legacy network control approaches frequently cannot enforce desired constraints on network data across different tools and processes. Our technology for data management maintains synchronization of network control data, such as ensuring that each update to DNS, DHCP and IPAM is complete. In addition, our solution enforces in

real-time critical constraints on the data, such as prevention of duplicate IP address assignment.

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**High Performance.** Our solution provides high performance and real-time processing of connection protocols, such as DNS and DHCP. We designed our proprietary software to execute network control functions efficiently and to process connection protocols rapidly. Most protocol servers have limited network control performance capabilities because they run full operating systems and are designed to perform a variety of functions in addition to network control. Our approach integrates our distributed database architecture with the dedicated use of general purpose CPUs and memory technologies to provide high performance. Our highest performing appliance, Trinzic 4030, can deliver 1 million DNS queries per second, which we believe is the fastest competitive, commercially-available DNS product on the market.

**Advanced Automation.** Our solution provides dynamic templates and a library of network device configurations and rules that enable organizations to automate network control by reducing data entry and software programming devoted to network control. In addition, our solution allows end customers to collect, record and maintain information about their networks and use that information to automate the configuration of their network infrastructure. As a result, our automation technology reduces the time required for data entry and eliminates many error-prone tasks and manual processes.

**Integrated Security.** We undertake a range of measures to ensure that our solution is secure. Unlike general-purpose protocol servers, our appliances limit and protect against physical access. In addition, our solution prevents root access to the operating system to protect against unauthorized access to system-level files. Our solution allows organizations to secure their network control processes by implementing delegated and role-based administration. Our integrated approach to DNS security protects against hackers who target an organization's protocol server to deny service to devices and applications. In addition, our solution secures communications between the Grid Master and its Grid Members through an encrypted virtual private network tunnel, which reduces Grid's vulnerability to attacks and leads to higher availability and reliability.

## Technology Partners

We work with a range of networking and software technology partners in the engineering of our solution and the development of end customer deployments. Our current technology partners are Cisco Systems, Inc., F5 Networks, Inc., Juniper Networks, Inc., Microsoft Corporation, Riverbed Technology, Inc. and VMware, Inc. Our engagements with technology partners range from lead generation and joint sales efforts to joint product development and engineering.

## Customers

We sell our automated network control solution primarily through channel partners to end customers of various sizes-from small businesses to large enterprises-and across a broad range of industries, including financial services, government, healthcare, manufacturing, retail, technology and telecommunications. As of July 31, 2012, we had shipped appliances for deployment to more than 5,900 end customers worldwide. No single end customer or channel partner accounted for more than 10% of our net revenue in 2010, 2011 or 2012.

## Sales and Marketing

We sell our products and services primarily through our channel partners, including distributors, integrators, managed service providers and VARs, in the United States and internationally; however, sales to large service providers in North America are made directly by our field sales force. Our channel sales model allows us to leverage our field sales force. Our VARs, distributors and system integrators perform product and service fulfillment. Channel partners also provide various levels of support services required by our end customers. In some cases, we coordinate our marketing efforts and spending with VARs.

Our marketing activities consist primarily of advertising, web marketing, technology conferences, trade shows, seminars and events, public relations, demand generation and direct marketing to build our brand, increase end customer awareness, communicate our product advantages and generate qualified leads for our field sales force and channel partners.

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### Research and Development

We believe our future success depends on our ability to develop new products and features that address the rapidly changing technology needs of our markets. We operate a flexible research and development model that relies upon a combination of in-house staff and offshore contractors to develop and enhance our products cost-effectively. Our in-house and outsourced engineering personnel are responsible for the research, design, development, quality, documentation, support and release of our products. Our primary engineering center is located in Santa Clara, California, with additional groups located in Annapolis, Maryland; Burnaby, Canada; and Paris, France. Our research and development expenses were \$18.1 million, \$29.6 million and \$36.6 million in 2010, 2011 and 2012.

### Manufacturing

We design our products and develop our software internally. We subcontract the manufacturing of substantially all of our appliances to Flextronics Telecom Systems, Ltd., an affiliate of Flextronics International Ltd., which purchases components from our approved list of suppliers and builds hardware appliances according to our specifications. We subcontract manufacturing of our Trinzic 4010 and 4030 hardware appliances to a second third-party manufacturer. Our outsourcing activity extends from prototypes to full production and includes activities such as material procurement, implementation of our software, and final assembly and testing. Once the completed products are manufactured and tested, our third-party manufacturers ship them either to our channel partners for delivery and installation or to our end customers for installation.

Although there are multiple sources for most of the component parts of our appliances, our third-party manufacturers currently purchase most components from a single source or, in some cases, limited sources. Generally, neither our third-party manufacturers nor we have a written agreement with any of these component providers to guarantee the supply of the key components used in our products. However, we regularly monitor the supply of components and the availability of qualified and approved alternative sources. We provide forecasts to our third-party manufacturers so that they can purchase key components in advance of their anticipated use, with the objective of maintaining an adequate supply of those components.

### Competition

The markets in which we compete are highly competitive and characterized by rapidly changing technology, changing end customer needs, evolving industry standards and frequent introductions of new products and services. We expect competition in these markets to intensify in the future as they expand and as existing competitors and new market entrants introduce new products or enhance existing products.

We primarily compete with large technology companies, such as BMC, EMC, HP and IBM, legacy telecommunication equipment providers, such as Alcatel-Lucent and BT, and specialized technology providers, such as BlueCat Networks, EfficientIP and Nominum. We could also face competition from new market entrants, some of which might be our current technology partners. In addition, we seek to replace legacy 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.

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The principal competitive factors applicable to our products include:

- breadth of product offerings and features;
- reliability;
- product quality;
- ease of use;
- total cost of ownership;
- performance;
- scalability;
- security;
- flexibility and scalability of deployment;
- interoperability with other products;
- ability to be bundled with other vendor offerings; and
- quality of service, support and fulfillment.

We believe our products compete favorably with respect to these factors.

## Intellectual Property

Our success and ability to compete are substantially dependent upon our core technology and intellectual property. We rely on patent, trademark and copyright laws, trade secret protection and confidentiality or license agreements with our employees, end customers, VARs, distributors, system integrators and others to protect our intellectual property rights. As of July 31, 2012, we had 19 patents issued in the United States, which expire between October 15, 2018 and December 17, 2028. We also had 27 patent applications pending for examination in the United States and 3 patent applications pending for examination in foreign jurisdictions, all of which are related to U.S. applications.

We also incorporate generally available third-party software in our products pursuant to licenses with third parties. Termination of certain third-party software licenses would require redesign of our products and incorporation of alternative third-party software and technology.

The steps we have taken to protect our intellectual property rights may not be adequate. Third parties may infringe or misappropriate our intellectual property rights and may challenge our issued patents. In addition, other parties may independently develop similar or competing technologies designed around any patents that may be issued to us. We may initiate claims against third parties that we believe are infringing our intellectual property rights if we are unable to resolve matters satisfactorily through negotiation. If we fail to protect our intellectual property rights adequately, our competitors could offer similar products, potentially harming our business.

## Financial Information about Segments and Geographic Areas

We manage our operations and allocate resources as a single reporting segment. Financial information about our segment and geographic areas is incorporated herein by reference to Note 14 of Notes to Consolidated Financial Statements under Part II, Item 8. In addition, financial information regarding our operations, assets and liabilities, including our total net revenue and net income (loss) for the years ended July 31, 2010, 2011 and 2012 and our total assets as of July 31, 2011 and 2012, is included in our Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K.



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## Employees

As of July 31, 2012, we employed 520 people, including 139 in research and development and manufacturing operations, 315 in sales and marketing and customer support, and 66 in general and administrative functions. None of our domestic employees is represented by a labor union. In several foreign jurisdictions, including Canada, France, Belgium, Italy and Spain, our employees may be subject to certain national collective bargaining agreements that set minimum salaries, benefits, working conditions and/or termination requirements. We also use a significant number of contractors in Belarus, India and Thailand to assist us with product engineering and support. We have not experienced any work stoppages, and we consider our relations with our employees and other personnel to be good.

## Executive Officers and Significant Employee of the Registrant

The following sets forth certain information with regard to our executive officers and chief technology officer for 2012, including their ages as of July 31, 2012:

Name	Age	Position
Robert D. Thomas	63	President, Chief Executive Officer and Director
Stuart M. Bailey	41	Chief Technology Officer
Remo E. Canessa	54	Chief Financial Officer
David N. Gee	44	Executive Vice President, Marketing
Wendell Stephen Nye	57	Executive Vice President, Product Strategy and Corporate Development
Sohail M. Parekh	49	Executive Vice President, Engineering
Mark S. Smith	56	Executive Vice President, Worldwide Field Operations

Robert D. Thomas has served as our president and chief executive officer and as a member of our board of directors since September 2004. From October 1998 to April 2004, when it was acquired by Juniper Networks, Inc., he served as president, chief executive officer and a director of NetScreen Technologies, Inc., a network security company. From October 1989 to September 1998, Mr. Thomas served in several roles at Sun Microsystems, Inc., a computer hardware and software company, including general manager of intercontinental operations for its software business, director of international market development, and director of marketing in Australia and New Zealand. Mr. Thomas has also served on the boards of directors of several other private companies. Mr. Thomas holds a B.S. degree in mathematics from Adelaide University in Australia.

Stuart M. Bailey founded our company in 1999, and has served us in various officer capacities since that time, including most recently as chief technology officer. He also served as a member of our board of directors from our inception to April 2012. Prior to founding our company, he served as technical lead for the Laboratory for Advanced Computing/National Center for Data Mining at the University of Illinois at Chicago, where he led teams in developing advanced distributed data architectures. He holds a B.S. degree in computer engineering from the University of Illinois.

Remo E. Canessa has served as our chief financial officer since October 2004. Prior to joining our company, he served as chief financial officer and corporate secretary of NetScreen Technologies, Inc. from July 2001 to April 2004, when it was acquired by Juniper Networks, Inc. From December 1998 to July 2001, Mr. Canessa served as vice president of finance, chief financial officer and treasurer of Bell Microproducts, Inc., a computer equipment distribution company, where he had previously served for five years in various financial capacities. He holds a B.A. degree in economics from the University of California, Berkeley and an M.B.A. from the Santa Clara University and is a certified public accountant.



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David N. Gee has served as our executive vice president, marketing since March 2012. Prior to joining our company, Mr. Gee worked at Hewlett-Packard Company, a computer software and information technology company, serving as vice president of the marketing and enterprise for the webOS business unit from February 2011 to March 2012, vice president of world-wide marketing for HP enterprise services from February 2009 to February 2011 and vice president of world-wide marketing for HP software from September 2003 to February 2009. From 2001 to 2003, he served as vice president of portal solutions at Yahoo! Inc., an internet company. From 1999 to 2001, Mr. Gee served as vice president of global iforce programs for Sun Microsystems, Inc., a computer hardware and software company. From 1995 to 1999, he served as director of netgen sales and marketing for IBM, an information technology solutions company. He holds a B.S. degree in marketing from Lancaster University and an M.B.A. from Georgetown University.

Wendell Stephen Nye has served as our executive vice president, product strategy and corporate development since February 2010. From December 2000 to January 2010, he served as vice president and general manager of Cisco Systems, Inc., a networking products company. During the eight years prior to joining Cisco, Mr. Nye served sequentially as president of Network Security Systems, Inc., Equifax National Decision Systems, Atcom/Info and CAIS Software Solutions, Inc. He holds a B.S. degree in geology and an M.B.A. from James Madison University.

Sohail M. Parekh has served as our executive vice president, engineering since January 2010 and served as our vice president, engineering from August 2007 to January 2010. Prior to joining our company, he served as vice president of engineering of Vernier Networks, Inc., a network access control products company, from October 2003 to July 2007, and vice president of engineering of Syndeo Corporation, a communications software company, from 1999 to 2003. From 1999 to 2000, he served as senior development manager at Cisco Systems, Inc. He holds a B.S. degree in electrical engineering from the University of Houston.

Mark S. Smith has served as our executive vice president, worldwide field operations since January 2005. From April 2004 to January 2005, he served as the vice president of enterprise sales of Juniper Networks, Inc., a network equipment company, which he joined following Juniper's acquisition of NetScreen Technologies, Inc., where Mr. Smith served as vice president of worldwide sales from July 1999 to April 2004. From 1996 to July 1999, Mr. Smith served as vice president of worldwide sales at Apptitude, Inc., a computer network management equipment manufacturer. He holds a B.A. degree in political science from Wheaton College.

Our executive officers are elected by, and serve at the discretion of, our board of directors. There are no familial relationships among our directors and officers.

Available Information

We make available our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, free of charge on our website at [www.infoblox.com](http://www.infoblox.com), as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission or SEC. Additionally, copies of materials filed by us with the SEC may be accessed at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 or at [www.sec.gov](http://www.sec.gov). For information about the SEC's Public Reference Room, contact 1-800-SEC-0330.

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ITEM 1A. RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below and all other information contained in this Form 10-K, including our consolidated financial statements and the related notes, 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 Form 10-K 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 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 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.

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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. 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.

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 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.



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**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.

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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 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.

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.



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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 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.

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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 EMEA 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, 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;
- 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.





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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;
- 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.

**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.

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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.

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.

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**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 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.

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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.

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.

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### 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 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;



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

**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.



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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.

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 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.

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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;
- 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 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.

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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.

**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.

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.

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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, or 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, or otherwise consider, 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 report 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, stocks generally, and 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. 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;
- 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;
- 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;



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• 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.**

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.**

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 56.8% of our outstanding common stock. These stockholders will be able to exercise a controlling 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.

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**Our Stock Price Could Decline As a Result of the Large Number of Outstanding Shares of Our Common Stock Eligible For Future Sale.**

As of July 31, 2012, we had 45,737,770 shares of our common stock outstanding. Approximately 37.1 million shares are currently restricted as a result of market stand-off agreements and will become sellable in mid-October 2012, subject in some cases to volume and other restrictions of Rule 144 and Rule 701 under the Securities Act. Sales of substantial amounts of these restricted securities in the public market, or even the perception that these sales could occur, could cause the trading price of our common stock to decline.

**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.

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.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

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ITEM 2. PROPERTIES

Our current headquarters, consisting of approximately 63,000 square feet of space in Santa Clara, California, is leased through March 2013. On May 25, 2012, we entered into a new lease agreement, pursuant to which we will lease an office space located in Santa Clara, California consisting of 127,000 square feet for an initial term of eight years commencing on February 2013. This new office building will house our new corporate headquarters, which we expect to begin occupying in February 2013.

We also lease approximately 15,000 square feet of space for development activities in Annapolis, Maryland under a lease that expires in June 2017. We lease additional facilities for development activities in Burnaby, Canada and Paris, France. In addition, we lease marketing and sales support offices in Antwerp, Belgium and Tokyo, Japan.

We believe that our existing facilities are adequate to meet our current needs, and we intend to add or change facilities as needs require. We believe that, if required, suitable additional or substitute space would be available to accommodate expansion of our operations.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are subject to various legal proceedings, claims and litigation arising in the ordinary course of business. We do not believe we are party to any currently pending legal proceedings the outcome of which would have a material adverse effect on our financial position, results of operations or cash flows.

There can be no assurance that existing or future legal proceedings arising in the ordinary course of business or otherwise will not have a material adverse effect on our financial position, results of operations or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.



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## PART II

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

## Market Information

Our common stock is listed on the New York Stock Exchange under the trading 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 the high and low per share prices for our common stock as reported on the New York Stock Exchange:

	Low	High
Fiscal 2012:		
Fourth quarter	\$17.48	\$22.93
Third quarter	\$20.10	\$21.30
Second quarter	\$—	\$—
First quarter	\$—	\$—

## Holders of Common Equity

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.

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## Performance Measurement Comparison of Shareholder Return

The following graph shows a comparison from April 20, 2012 (the date our common stock commenced trading on the New York Stock Exchange) through July 31, 2012 of the cumulative total return for an investment of \$100 (and the reinvestment of dividends) in our common stock, the NYSE Composite Index and the NYSE Computer and Data Processing Index. Such returns are based on historical results and are not intended to suggest future performance.

	April 20, 2012	May 31, 2012	June 30, 2012	July 31, 2012
Infoblox Inc.	\$100.00	\$92.91	\$107.65	\$98.64
NYSE Composite	\$100.00	\$93.46	\$97.88	\$98.80
NYSE Arca Tech 100	\$100.00	\$93.57	\$96.94	\$98.18

The information on the above graph shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section or Sections 11 and 12(a)(2) of the Securities Act of 1933, as amended, and shall not be incorporated by reference into any registration statement or other document filed by us with the Securities and Exchange Commission, whether made before or after the date of this Annual Report on Form 10-K, regardless of any general incorporation language in such filing, except as shall be expressly set forth by specific reference in such filing.

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Recent Sales of Unregistered Securities and Use of Proceeds

Use of Proceeds from Public Offering of Common Stock

On April 19, 2012, the SEC declared effective our registration statement on Form S-1 registration statement on Form S-1 (File No. 333-178925) in connection with our IPO, which closed on April 25, 2012. We received net proceeds of approximately \$98.2 million from the offering. Based on our current cash and cash equivalents balance together with cash generated from operations, we do not expect that we will have to utilize any of the net proceeds to fund our operations during the next 12 months. We anticipate that we will use the net proceeds from the offering for working capital and other general corporate purposes, which may include investments in, or acquisitions of complementary businesses, products, services, technologies or other assets, although we have no present commitments or agreements to enter into any material acquisitions or investments.

Pending these uses, we intend to invest the net proceeds in short-term, investment-grade interest-bearing securities.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

No shares of our common stock were repurchased during the fourth quarter of 2012.

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## ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations,” and the Consolidated Financial Statements and the notes thereto in Item 8, “Financial Statements and Supplementary Data,” of this Annual Report on Form 10-K, which are incorporated herein by reference.

The information presented below reflects the impact of certain significant transactions and the adoption of certain accounting pronouncements, which makes a direct comparison difficult between each of the last five fiscal years. For a complete description of matters affecting the results in the tables below during the three years ended July 31, 2012, see “Notes to Consolidated Financial Statements” in Item 8 of Part II of this Annual Report on Form 10-K.

## Consolidated Statements of Operations Data

	Year Ended July 31,				
	2008	2009	2010	2011	2012
	(1)	(2)	(3)	(4)	(5)
	(In thousands, except per-share amounts)				
Net revenue	\$ 56,026	\$ 61,713	\$ 102,168	\$ 132,835	\$ 169,246
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	51,453	56,634	71,859	107,826	138,646
Income (loss) from operations	(10,647 )	(10,077 )	8,356	(3,830 )	(6,520 )
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 (6):					
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 - basic and diluted (6):	\$(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 (6):					
Basic	6,044	6,966	7,768	9,933	20,563
Diluted	6,044	6,966	10,281	9,933	20,563

(1) Includes certain significant pre-tax items, such as stock-based compensation of \$1.1 million, and intangible asset amortization expense of \$0.3 million.

(2) Includes certain significant pre-tax items, such as stock-based compensation of \$1.5 million, and intangible asset amortization expense of \$0.3 million.

(3) Includes certain significant pre-tax items, such as stock-based compensation of \$2.7 million, and intangible asset amortization expense of \$1.0 million.

(4) Includes certain significant pre-tax items, such as stock-based compensation of \$5.1 million, and intangible asset amortization expense of \$3.3 million.

(5) Includes certain significant pre-tax items, such as stock-based compensation of \$10.7 million, and intangible asset amortization expense of \$2.9 million.

(6) Please see Note 2 of the Notes to Consolidated Financial Statements in Item 8 of Part II of this Annual Report on Form 10-K for the explanation of the calculations of our basic and diluted net income (loss) per share attributable to common stockholders.

## Consolidated Balance Sheet Data

	As of July 31				
	2008	2009	2010	2011	2012
	(In thousands)				
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	\$ —
Stockholders' equity (deficit)	\$(85,838)	\$(94,355)	\$(69,999)	\$(69,032)	\$ 142,075

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

This Annual Report on Form 10-K ("Report"), including the "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements regarding future events and our future results that are based on our current expectations, estimates, forecasts, and projections about our business, our results of operations, the industry in which we operate and the beliefs and assumptions of our management. Words such as "expects," "anticipates," "targets," "goals," "projects," "would," "could," "intends," "plans," "believes," "seeks" and "estimate" and these words, and similar expressions are intended to identify those forward-looking statements. These forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in this Report under the section entitled "Risk Factors" in Item 1A of Part I and elsewhere herein, and in other reports we file with the SEC. While forward-looking statements are based on reasonable expectations of our management at the time that they are made, you should not rely on them. We undertake no obligation to revise or update publicly any forward-looking statements for any reason, whether as a result of new information, future events or otherwise, except as may be required by law.

The following discussion is based upon our Consolidated Financial Statements included elsewhere in this Report, which have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). In the course of operating our business, we routinely make decisions as to the timing of the payment of invoices, the collection of receivables, the manufacturing and shipment of products, the fulfillment of orders, the purchase of supplies, and the building of inventory and spare parts, among other matters. Each of these decisions has some impact on the financial results for any given period. In making these decisions, we consider various factors including contractual obligations, customer satisfaction, competition, internal and external financial targets and expectations, and financial planning objectives. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosure of contingencies. On an ongoing basis, we evaluate our estimates, including those related to sales returns, pricing credits, warranty costs, allowance for doubtful accounts, impairment of long-term assets, especially goodwill and intangible assets, contract manufacturer exposures for carrying and obsolete material charges, assumptions used in the valuation of share-based compensation, and litigation. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, 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. For further information about our critical accounting policies and estimates, see Note 1, Summary of Significant Accounting Policies, in Notes to Consolidated Financial Statements in Item 8 of Part II of this Annual Report on Form 10-K, and our "Critical Accounting Policies and Estimates" section included in this "Management's Discussion and Analysis of Financial Condition and Results of Operations." Actual results may differ from these estimates under different assumptions or conditions.

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### Business 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 Netcordia, 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 physical and virtual appliances. We generate services revenue primarily from sales of maintenance and support and, to a lesser extent, from sales of training and consulting services. End customers typically purchase maintenance and support in conjunction with purchases of our products, and generally renew their maintenance and support contracts upon expiration. Maintenance and support provide a significant source of recurring revenue for us. In 2010, 2011 and 2012, services revenue was 35.5%, 39.6% and 43.9% of our net revenue in the respective years. We measure renewal rates for our maintenance and support contracts on a cumulative basis by dividing the cumulative dollar value of amounts invoiced for renewal of contracts expiring in a given period by the aggregate dollar value of all contracts expiring in that period. Our cumulative renewal rate for each of our fiscal years 2010 and 2011, was approximately 90%. Our cumulative renewal rate to date for 2012 was approximately 83% as of July 31, 2012 and we expect customary trailing renewals to increase that rate to historical levels. The cumulative renewal rate of maintenance and support contracts by our existing end customers has remained relatively stable. As our end customer base grows, we expect our revenue generated from maintenance and support services to increase; however, we expect the renewal rate of maintenance and support contracts by existing end customers to remain relatively level.

We sell our products and services to enterprises and government entities primarily through our channel partners, including distributors, systems integrators, managed service providers and value-added resellers in the United States

and internationally. We also have a field sales force that sells our solution directly to certain end customers, and typically works closely with our channel partners in all phases of initial sales of our products and services.



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We have more than 5,900 end customers worldwide. Our sales are in three geographic regions: Americas, Europe, Middle East and Africa (“EMEA”), and Asia Pacific (“APAC”). We have experienced rapid growth in recent periods, particularly in the Americas. During 2011, 62.3% of our net revenue was generated from the Americas, 26.5% from EMEA, and 11.2% from APAC. During 2012, 64.2% of our net revenue was generated from the Americas, 24.0% from EMEA, and 11.8% from APAC. 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.

### Factors Affecting Our Financial Performance

#### Increasing Complexity of Networks

We believe that the increasing complexity of networks is straining legacy approaches to network control. Networks are becoming more complex for a variety of reasons, including increasing numbers of connected devices and applications, expanding use of technologies, such as virtualization and cloud computing, and adoption of IPv6. We believe that automated network control solutions will continue to replace legacy approaches to network control as organizations pursue business imperatives that increasingly rely on dynamic networks. Our business and operating results will be significantly affected by the speed with which organizations implement technologies requiring dynamic networks and transition to automated network control.

#### Adding New End Customers

We believe that the automated network control market is underpenetrated. We intend to target new end customers by continuing to invest in our field sales force, extending our relationships with channel partners and leveraging managed service providers. Our business and operating results will depend on our ability to add new end customers continually.

#### Up-Selling to Growing End Customer Base

We expect that a substantial portion of our future sales will be follow-on sales to existing end customers. One of our sales strategies is to target end customers with initial deployments of our solution so that they can begin to experience the operational and economic benefits of that solution, thereby building internal support for expanded future deployments. Our business and operating results will depend on our ability to sell additional products to our growing base of end customers.

#### Selling Robust Configurations

Our operating results have been, and we believe will continue to be, affected by our ability to sell more complex and higher-performance configurations of our product solutions, which generally result in higher value per product sold. In the recent past, we have been able to increase our revenue, in part, because we have been able to sell higher-priced solutions to our end customers. Our ability to sustain our revenue growth will depend, in part, upon our continued sales of more robust configurations of our product solutions, and quarterly operating results can be significantly impacted by the mix of product solution configurations sold during the period.

#### Leveraging Channel Partners

We expect to continue to derive a substantial majority of our sales through our channel partners. Our channel partners will play a significant role in our growth as they develop new end customers and expand our sales to existing end customers. We plan to continue to invest in our network of channel partners to empower them to reach new end customers more effectively, increase sales to existing end customers and provide services and support effectively. We believe that increasing channel leverage will extend and improve our engagement with end customers, while reducing our sales and support costs as a percentage of net revenue. Our business and operating results will be materially affected by our success in leveraging our channel partners.

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## Investing for Growth

We believe that the market for automated network control is still in its infancy, and our intention is to continue to invest for long-term growth. We expect to continue to expand our field sales force, our channel and technology partnerships and our programs to market our solutions. In addition, we expect to continue to invest in research and development and selective acquisitions in order to expand the capabilities of our solutions. We expect that our operating results will be impacted by the timing and size of these investments and that we will continue to incur net losses over the next few quarters.

## Key Metrics of Our Business

We monitor a variety of key financial metrics to help us evaluate growth trends, establish budgets, measure the effectiveness of our sales and marketing efforts and assess operational efficiencies. These key financial metrics include the following:

	Year Ended July 31,		
	2010	2011	2012
	(Dollars in thousands)		
Net revenue	\$ 102,168	\$ 132,835	\$ 169,246
Deferred revenue, net (end of year)	\$ 42,749	\$ 61,999	\$ 76,667
Change in deferred revenue, net	\$ 7,732		