

hi youtube and welcome back to another update today we're going to be analyzing box versus dropbox in the last couple of updates some of you guys have been asking me to compare both of them because you felt that box was possibly a better opportunity i'm going to put all of the metrics on a spreadsheet very simple basic spreadsheet so as you guys can see it on a relative basis which company outperforms the other i think you guys already know that i believe it's dropbox it's not that i believe it's dropbox it's what the data's telling me versus their forecasts into the future versus where they are today i think dropbox is a clear winner moving forward so let's get straight into the spreadsheet let's let's not waste any time and then ultimately we'll have a look at boxes chart we'll have a look at dropbox's chart and then we'll look at the ratio of both of them and see what essentially is happening there so over here on the spreadsheet as you guys can see all of the key metrics i've taken here off of their 10q filings a quick question how many of you guys actually read the 10q filings it's where i get most of my information i know it's 50 to 60 pages long sometimes 100 pages long but it's so crucial to read these reports it gives you so much insight into what's happening in the business anyway some of the metrics that we're measuring here we're measuring their sort of user base their conversion rates their paid users one of these companies focuses on organizations the other one focuses on smaller teams less than 50 people and individuals we're going to be looking at paid users so per organization how many on average are we seeing signups really only applies to box we're going to be looking at their rpus

we're going to be looking at looking at
the average operational expense per user
we're going to be looking at the growth
rate for fiscal year 1 and fiscal year 2
comparing it to the last two years and
then we're going to have a look at the
ratio between two charts and we're going
to consider which one is better
so the user base here the user base
we've got 600 million people for dropbox
for some reason some people believe that
that's a negative i think that's a
massive positive
i think it's a massive positive because
as you continue to innovate your
platform
and you continue to acquire new
businesses you start appealing
more and more to that audience and it
increases the probability of
increasing your conversion rate so 600
million people i think is a massive
bonus
now box has 74 million people and
they've been able to convert 20 percent
of those
so dropbox have only been able to
convert 2.54
however this is why i have dropbox here
winning in terms of user base
if we pop on over to the 10q filing and
under the business model
essentially what they say to drive new
signups we acquire users efficiently
and at a relatively low cost true word
of mouth referrals
directing product referrals and sharing
content
this is so so so important direct
in product referrals if you sign up for
a free account
and dropbox then come up with a new
product they can sell to you and it's
pretty
much free they also have your email they
do email marketing campaigns etc
and of course it's word of mouth because
it's free sign up that is why
this here is so valuable to dropbox
they can continue to innovate acquire
businesses and integrate them with the
current product
and they could likely get a much higher
rp moving forward

so that is an easy winner for dropbox as you guys can see i've already got them marked out but anyway dropbox wins that easily the conversion rate here

is pretty much based on the business model right so box are actually converting 20 percent of their free users into paid users

where dropbox is only converting 2.54 now clearly because the conversion rate's a lot higher that goes to box however again it comes down to their business model and i think that's going to be reflected in therapu in just a moment

i've seen some people in the comment section tell me that because box have almost 15 million paid users and we're only paying 2.6 billion dollars for the company it's got to be a much better proposition than dropbox who have 15.25 million page users and we're paying 8 billion for it that's not really a good argument because you have to factor in the revenue for each user and the cost of that revenue of course so as we move forward here you'll see that

dropbox does not disclose many organizations that they sell to and an organization for dropbox is a team of 50 people or less whereas with box it can be up to a couple of thousand box tell us that they have a hundred thousand organizations that they sell into

meaning that they've got about 148 sales per organization

so we can assume that every single organization if they increase moving forward

they will have on average 148 new sign ups

so at scale box has an advantage there because they're selling large quantities at a time and that's something that we have to consider as well

and that circles back around to the conversion rate so let's say you've got 2 000 free box accounts in your organization

and you decide from one day to the next
okay we're going to actually sign up and
get the
the premium features because it's
beneficial all of a sudden box goes from
zero accounts to two thousand it's not
one at a time if that makes sense
and so the conversion rates are a lot
higher because each organization that
converts into paid users they're
converting not at one or two but
at hundreds if not thousands of accounts
which is kind of interesting for box
because they can continue to scale that
up and keep a strong conversion rate
whereas when you look at dropbox the

2.54
conversion obviously they're going to
get a bigger user base because any
individual can use it for
their own storage of photographs or
videos or whatever it is
and hopefully through word of mouth and
integrations

they can get some sort of conversion and
their business model has worked so far
so now the next metric that i think is
very important so the first metric was
the user base we've already
decided that that's in favor of dropbox
the second battle was for conversion
rates and

box win that battle 20 conversion the
third battle is arpu
now i went back over the latest quarter
and i calculated the number of signups
that they had which was 14.8 million
people

and i divided it by the revenue and the
rp is actually 51.97
when i looked at a macro research
website previously they told me it was
21

it's actually 51.97 however
that doesn't matter it's still way off
in terms of where dropbox currently are
dropbox are at 128.3 cents and they've
been able to grow that five dollars in
the last year

and we're forecasting that i'll grow
another three dollars and fifty cents
over the next year into the future so
dropbox continued to knock it out of the
park in terms of being able to

to expand that arpu so i think it's very clear that dropbox knock it out of the park in terms of arpu on a relative basis to box so yes they do have a very similar number of paid users but when you look at the profitability of those paid users dropbox are in a completely different league so now we're currently at 2-1 to dropbox now we're going to look at the average operational expense per user so as a percentage of revenue what is the operational expense this is the aoe pu is the acronym for it and in the latest update that we've done on dropbox we found out that their ao epu was 72.56 percent and that's down from 106 back in 2018 which was largely well it was probably in large part got to do with the ipo so as of right now continues to decline we're currently at 72.56 and box is currently sitting around 75.13 so it's now 3-1-2 dropbox now as we move forward it's going to be important to recognize the growth rates because the growth rates will determine really what the profitability will be moving forward and this is really the deciding factor in my view the first thing that we notice here is both of them are trending at very similar growth rates very similar growth rates so when you're looking at both of these companies they're growing at the same pace but one company is far more profitable than the other and it's growing at a slightly faster pace in fiscal year one and a slightly slower pace in fiscal year two so for fiscal year one we give the dropbox and fiscal year two we give it to box so the score stands at 4-2 in favor of dropbox it's a clear winner for me now when we look at the growth rates in 2019 and for 2020 box grew incrementally faster

than dropbox and for fiscal year 2020
we've seen that dropbox has grown
incrementally faster
than box both of these companies have a
similar product completely different
business models
but they continue to grow lock and step
into the future they've got very similar
growth estimates
which i find really interesting but it's
clear to me
that dropbox is a far better opportunity
for the simple fact that
it's far more profitable it's bigger
organization for a reason and i think
the opportunity there is a lot bigger
now over to the chart structure and what
we're going to look at first here is
we're going to look at the ratio between
dropbox and box
and as you can see this has pretty much
gone sideways slightly in favor of box
over the past year or so
but the reason why i think that that's
attributed to boxes because of that
slight
increase in growth that we've seen in
2019 moving forward the tables are about
to turn
in fiscal year one and i think on a
relative basis we should start to see
dropbox actually perform a little bit
better
over the next 12 to 24 months given that
the growth rates are expected to be a
little bit better
so these guys are lock and step i don't
know why you'd want to own both of them
they're pretty much performing exactly
the same except dropbox is far
more valuable let's have a look at boxes
chart
now when we look at boxes chart this is
a really interesting chart
again this ipo back in 2015
price dropped we don't really know what
wave that is then it rallies up in three
ways we know that that could be
corrective and then it breaks down in
five
so what we have here is an a a b and a c
with some sort of expanding ending
diagonal here
for that final fifth wave so that makes

a lower low and that's how we know that that five wave structure completes there and then off of that low we rally up quite aggressively we rally up in five waves we call that a wave one so as of right now both dropbox and box their chart structures are the same their growth rates are expected to be the same on a relative basis one company is far cheaper than the other but that's because one company is far more profitable than the other as well so as you can see this rallies up quite aggressively for a wave when it breaks down on three waves here for a wave two it starts to turn pretty much in and around the 50 fibonacci which is quite a shallow pullback essentially what that would mean is whenever we get up here for the fourth wave this here is going to be a little bit deeper with elliot wave normally we have the wave 2 is the deepest and then the wave 4 is usually like a sideways consolidation these waves tend to alternate if you have a very shallow wave 2 you'll get a deeper wave 4 and that's what i think is is is the risk moving forward but anyway that doesn't really matter because i still think there's well in excess of 100 to 200 on the upside here for box now we look at dropbox it's in a similar situation i'm still extremely bullish on this guys this is extremely bullish certainly from my view as of right now we've got that five wave structure up off the low and again we have an a a b and a c on the downside this is a deeper retracement so we don't need to worry about a deeper wave four because this actually exceeded the 51 61.8 fibonacci as you can see which is a normal retracement for a wave 2. obviously box hasn't retraced as deep as dropbox however on the preceding wave 4 i think box is likely to pay for that because the retracements are usually a

lot deeper because the waves alternate
so after analyzing all of the key
variables that would drive the growth of
these businesses
essentially what we can see is both of
them are neck and neck when we look at
dropbox i think that they are they're
already far more profitable
they've got a bigger cash balance and
they could probably disrupt
that medium to large enterprise category
as well that's the risk for box
and they're much more bigger and
powerful organization that could
essentially acquire new businesses and
then sell it into the 600 million
audience that they have
which is essentially what they've said
in their business plan which
creates a very low customer acquisition
cost for anybody that signs up to
dropbox
that's probably why you don't see too
many dropbox ads is because
they already have 600 million people as
an audience it's just a matter of
finding out what those people want to
need
and servicing it that's it i'd own one
of them not two of them
and it would quite clearly be dropbox so
anyway guys i hope this update was
helpful thank you all very much for your
support
and until next time peace out